



The Bank of Khyber

FORGING



FORWARD

2020 | ANNUAL
REPORT

CONTENTS

02	Corporate Information
04	Notice of 30th Annual General Meeting
07	Chairman's Review
08	Directors' Report
14	Statement of Compliance
17	Auditors' Review Report on Statement of Compliance
18	Statement of Internal Controls
19	Report of Shariah Board
23	Auditors' Report to the Members
28	Statement of Financial Position
29	Profit and Loss Account
30	Statement of Comprehensive Income
31	Statement of Changes In Equity
32	Notes to the Financial Statements
123	Pattern of Shareholding
124	Category of Shareholders
125	Branch Networks
	Form of Proxy

CORPORATE INFORMATION

BOARD OF DIRECTORS

Shakeel Qadir Khan
Atif Rehman
Maqsood Ismail Ahmad
Asad Muhammad Iqbal
Javed Akhtar
Rashid Ali Khan
Saleha Asif

Chairman / Non-Executive Director
Non-Executive Director
Non-Executive Director
Independent Director
Independent Director
Independent Director
Independent Director

MANAGING DIRECTOR / CEO (Acting)

Ihsan Ullah Ihsan

SHARIAH BOARD

Mufti Muhammad Zahid
Mufti Muhammad Ibrahim Essa
Qazi Abdul Samad

Chairman
Member
Resident Shariah Board
Member (RSBM)

BOARD AUDIT COMMITTEE

Asad Muhammad Iqbal
Atif Rehman
Javed Akhtar

Chairman
Member
Member

BOARD HUMAN RESOURCE & REMUNERATION COMMITTEE

Saleha Asif
Maqsood Ismail Ahmad
Managing Director

Chairperson
Member
Member

BOARD RISK MANAGEMENT COMMITTEE

Maqsood Ismail Ahmad
Javed Akhtar
Rashid Ali Khan

Chairman
Member
Member

BOARD I.T STEERING COMMITTEE

Atif Rehman
Asad Muhammad Iqbal
Saleha Asif

Chairman
Member
Member

BOARD COMPLIANCE COMMITTEE

Rashid Ali Khan	Chairman
Javed Akhtar	Member
Saleha Asif	Member

BOARD INVESTMENT COMMITTEE

Atif Rehman	Chairman
Maqsood Ismail Ahmad	Member
Asad Muhammad Iqbal	Member
Managing Director	Member

CHIEF FINANCIAL OFFICER

Irfan Saleem Awan*

COMPANY SECRETARY

Zahid Sahibzada

REGISTERED OFFICE / HEAD OFFICE

24 – The Mall, Peshawar Cantt.

1st Floor, State Life Building,
34 – The Mall, Peshawar Cantt.

UAN# 00-92-91-111 95 95 95

URL: www.bok.com.pk

AUDITORS

EY Ford Rhodes
Chartered Accountants

LEGAL ADVISORS

Mr. Nisar Ahmed Khan,
Advocate, Peshawar
M/s. Mohsin Tayebaly & Co., Karachi

REGISTRAR AND SHARE REGISTRATION OFFICE

THK Associates (Pvt) Ltd.
Plot No.32-C, Jami Commercial Street 2,
DHA Phase VII, Karachi – 75500

* Assumed charge as CFO on 16-2-2021

NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

Notice is hereby given that the Thirtieth Annual General Meeting of the shareholders of The Bank of Khyber will be held on Monday, March 29, 2021 at 10:30 a.m. at Pearl Continental Hotel, Peshawar to transact the following business:

Ordinary Business

1. To confirm the minutes of the Twenty Ninth Annual General Meeting (AGM) held on March 27, 2020.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2020, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2021 and fix their remuneration. Bank's auditors Messrs. EY Ford Rhodes, Chartered Accountants, retired and being eligible, offer themselves for re-appointment.
4. To consider, and if thought fit, approve as recommended by the Board of Directors, final cash dividend for the year 2020 @ Rupees 1.50 per share i.e. 15% to the shareholders of the Bank.

Special Business

5. To consider, and if thought fit, approve as recommended by the Board of Directors, issuance of Bonus Shares for the year 2020 in proportion of 5 ordinary shares for every 100 ordinary shares i.e. 5% to the shareholders of the Bank.

Other Business

6. Any other business with the permission of the Chair.

Statement under section 134 (3) of the Companies Act, 2017 pertaining to special business is enclosed.

By Order of the Board

Peshawar: March 8, 2021

Zahid Sahibzada
Company Secretary

Notes:

- a. Share Transfer Books of the Bank will remain closed from Tuesday, March 23, 2021 to Monday, March 29, 2021 (both days inclusive) to determine the names of members entitled to receive the final Cash Dividend along with Bonus Shares and attend and vote in the meeting.

Transfers received in order at the office of our Share Registrar, M/s. THK Associates (Pvt.) Limited, located at Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase-VII, Karachi-75500 by the close of business on Monday, March 22, 2021 will be treated in time for the said purpose.
- b. All members are entitled to attend and vote at the meeting.
- c. A member entitled to attend and vote at the meeting, is entitled to appoint another member as a proxy to attend, speak and vote for him/her.
- d. An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required, may be obtained from the Registered Office of the Bank during normal office hours.
- e. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- f. In case of Proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he/she should bring the usual documents required for such purpose.

In case of corporate entity, the resolution of Board of Directors / Power of Attorney with specimen signature of the nominee shall be produced along with the proxy form at the time of attending the meeting.
- g. Members are requested to immediately communicate any change in their registered addresses to our above mentioned Share Registrar before start of the book closure period.
- h. Form of Proxy, if required, should be signed on Rs.5/- Revenue Stamp.

Payment of Cash Dividend Electronically (e-Dividend) / Dividend Mandate

As per provisions of the Companies (Distribution of Dividends) Regulations, 2017, the Bank is required to withhold cash dividend payment of those shareholders whose dividend mandate information and/or CNIC detail is not available at the time of payment of cash dividend.

Those shareholders who have not yet provided their dividend mandate / bank account details are requested to provide the same to their respective Participants / Brokers (if shares are held electronically) or to the Share Registrar (if shares are held in physical form) for credit of cash dividend directly into their designated bank accounts through electronic modes.

The required dividend mandate information must include i) Name of Shareholder ii) Folio No / CDC Participant ID A/C No. iii) CNIC No. iv) Cell No. / Landline Phone No. v) Title of Bank Account vi) IBAN vii) Bank Name viii) Branch Name and Address.

Valid copy of CNIC is also required to be provided to our Share Registrar at their address, if not submitted.

Un-claimed Dividends / Shares

The shareholders are hereby informed that in accordance with Section 244 of the Companies Act, 2017 and The Unclaimed Shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are undelivered / unclaimed for a period of three (3) years or more from the date it is due and payable. The notices to this fact had already been dispatched to the relevant shareholders and published accordingly.

Shareholders who have not yet collected/received their dividends/shares are advised to contact our Share Registrar for details.

NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

Video Conference Facility for Attending General Meetings

If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 07 days prior to date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city.

To avail this facility a request to be submitted to registered address of the Bank 07 days before holding of the Annual General Meeting.

Statement under Section 134 (3) of the Companies Act, 2017

This statement set out the material facts concerning the Special Business at item No.5 of the notice to be transacted at the Annual General Meeting of the Bank to be held on March 29, 2021.

Item No. 5 – Issue of Bonus Shares

The Board of Directors in its meeting held on March 2, 2021 has recommended issuance of Bonus Shares for the year 2020 in proportion of 5 ordinary shares for every 100 ordinary shares i.e. 5% to the shareholders of the Bank.

An amount to the extent of 5% will be appropriated from the free reserves for issuance of Bonus Shares to the shareholders as per approved proportion.

These Bonus Shares shall rank pari passu in all respects with the existing ordinary shares of the Bank.

These Bonus Shares will be issued to those members whose names appear in the register of members as at the close of business on March 22, 2021 and that the shares so issued be treated for all purpose as an increase in the paid-up capital of the Bank.

CHAIRMAN'S REVIEW

It gives me immense pleasure to present the Annual Report of the Bank of Khyber for the year 2020.

The year was marred by a fragile operating environment and downside risks to the economy posed by Covid-19 pandemic. To tide over the situation, the State Bank of Pakistan also adopted a flexible and accommodative policy approach by providing a noteworthy stimulus package to the business set ups, including large corporates. Besides, interest rates were brought down significantly and various other regulatory relief measures were announced which helped businesses to dampen the effects of Covid-19.

It is heartening to note that the bank successfully navigated through the year by posting a outstanding financial results and reporting visible improvement in all key areas. The Bank maintained its growth trajectory and continued to consolidate its position. The bank's focus remained on realigning its balance sheet structure by concentrating more on deposits and reducing reliance on other sources. Within the deposit structure, the aim was to diversify and reduce cost to improve overall efficiency. The bank crossed PKR 200 billion mark in deposits for the first time. The bank recorded an **all-time high** profitability with a pretax profit of PKR 3,806 million and after tax profit of PKR 2,152 million for the year, which is an improvement of 68% and 65% against last year numbers. This is despite creation of a buffer in the form of sizable general provisioning by the bank to cater to any unforeseen situation in the post pandemic scenario. While all operational areas contributed to the good performance of the Bank for the year, Islamic Banking Operations have progressed really well and has become one of our core strengths.

In the pursuit of providing its customers with more efficient and better service delivery, the bank made heavy investment in technology and opted for top of the line Core Banking Solution - T24 "Temenos Transact". The bank successfully migrated first batch of high value branches onto the new system and as of the year-end, 25 branches were functioning on the new system with a plan to achieve full implementation in the year 2021. Upon full implementation, centralized operating environment of new CBS shall help in efficient and seamless service delivery to customers with more effective operational controls in banking operations. The Bank also achieved another momentous landmark by launching Digital Banking, BOK Digital – Mobile Banking App, whereby customers can carry out banking transactions through their mobile phones and internet.

The bank has set new standards for transparent and proper implementation of Government's schemes aimed at socio economic uplift of the people especially youth, which include Prime Minister Kamyab Jawan program and Insaaf Rozgar Scheme. Further, appropriate financing facilities are being made available to boost investment in the SME sector.

The bank has also revamped its corporate branding during the year and has also taken the initiative of solarization of its branch network wherever possible. On the governance side, the Board of Directors endeavored to ensure compliance with the best Corporate Governance Standards while providing strategic directions and setting policy guidelines. Individual Board members contributed efficiently on all matters that came up for guidance of the Board.

In the year 2021, with uncertainty over the pandemic gradually fading out, the economy has started to show momentum and many sectors have resumed activities. This is likely to results in improved business environment paving way to regain economic thrust. Furthermore, the bank's presence in small towns shall go a long way in improving financial inclusion in the underprivileged areas of the country. The bank will further enhance its presence by adding over 40 new branches, which shall help achieve the goals set for the current year. The bank's "Raast Islamic Banking" operations have also grown considerably offering a wide range of shariah compliant products and services to customers.

The bank intends to fulfill its social responsibility by undertaking various initiatives in encouragement of sports, development of youth, and support of various under-privileged segments. One initiative that the Bank has undertaken is the Squash Talent Hunt Program under which the Bank aims to identify and groom talent in squash by providing support to Under-13 players three years including coaching, dietary stipend, sports equipment and sponsorship for tournaments.

I would like to express my gratitude to our customers for bestowing continued confidence in the bank, shareholders for their support and the State Bank of Pakistan for timely guidance. I would also like to thank the management and staff for their valuable contribution in achieving excellent results.



Shakeel Qadir Khan
Chairman

Peshawar: March 2, 2021

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders

On behalf of the Board of Directors, we are pleased to present the 30th Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the financial year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

The operating results and appropriations, as recommended by the Board, are as under:

	(Rs. in millions)
Operating Profit	5,416
Provision against non-performing advances, investments & others	(1,610)
Profit before taxation	3,806
Taxation	1,654
Profit after tax	2,152
Total Assets	288,300
Advances (Gross)	134,907
Investments (Net)	113,479
Deposits	203,072

ECONOMY REVIEW

The outbreak of COVID-19 made 2020 a tough year for businesses around the world. The pandemic unfolded an unprecedented healthcare-cum-economic crises across the globe, the governments were forced to change the course of their policies to stimulate economies and fight recessionary trends. Like almost every country, Pakistan's economy also suffered in 2020 whereas all major sectors of economy remained under strain. There has been a reduction in GDP growth, deterioration in current and fiscal imbalances, disruption in supply chain and increased unemployment.

The Government and the State Bank of Pakistan took several timely relief measures to contain economic fallout and to support businesses. Various relief packages for businesses and households were announced whereas relaxation of credit requirements were taken to facilitate new investments. With regards to overall economic activity, results from economic actions undertaken by the Government have positively impacted overall economic cycle in the country. Improved trade balance, reduced oil prices and strong growth in remittances helped in turning current account into a surplus in the year 2020. As a result, the SBP reserves reached a high of USD 20.5 billion as of year-end 2020.

PERFORMANCE REVIEW

While remaining cognizant of the emerging challenges arises out of COVID-19, the Bank of Khyber adopted a prudent and target oriented approach to manage the quality of assets and maintain liquidity along with emphasis on profit generation. In pursuit of its goals, the Bank continued to achieve notable momentum by pursuing its strategy of consistent growth by focusing on technology driven automation, risk management framework, introduction of e-banking services along with optimization of branch network to facilitate customers banking requirements.

The pandemic has accelerated digital transformation of organizations to ensure uninterrupted business activity while addressing social distancing and adaption to the new norms. In line with the rapidly transforming digital space in Pakistan towards more convenient and flexible ways of banking, the Bank of Khyber has launched its Computer and Mobile applications which have helped to improve transaction mix of digital and counter based services. Further, in order to provide non-stop real time banking services to the customers, the Bank has implemented the most advance core banking system – T24.

Despite non conducive business environment, the Bank of Khyber has demonstrated strong financial performance which is a result of proactive management and prudent approach towards pandemic circumstances. The Bank has recorded all time high profit in the year 2020 in difficult business environment.

The Bank reported a commendable increase of 142% in operating profit which shows Rs.5,416 million against Rs.2,240 million of the last year. Profit before tax was recorded at Rs.3,806 million as against Rs.2,261 million of the previous year giving increase of 68%. Profit after tax for the same year grew by 65% to reach at Rs.2,152 million over Rs.1,306 million of the last year that translates into earnings per share of Rs.2.15 against Rs.1.31 in 2019.

With an increase of 42%, the Net Mark-up / Interest Income stood at Rs.6,762 million as compared to Rs.4,766 million in the corresponding period of 2019. This increase was due to increase in net interest margin which was achieved by shedding costly deposits and re-pricing of loans and deployment of funds in better investment channels in the backdrop of reduced policy rate. Non-Markup / Interest Income increased considerably by 159% to reach at Rs.2,878 million as compared to Rs.1,112 million of the previous year. The increase was mainly attributed to substantial rise in capital gains and income generated through foreign trade.

The deposits increased to Rs.203,072 million in comparison with Rs.182,168 million as at December 31, 2019 showing an increase of 12%. This growth was mainly driven through new customer acquisitions and deepening of the existing portfolio base. Investment witnessed a decrease of 23% from the previous year and stood at Rs.113,479 million in comparison with Rs.146,911 million as at December 31, 2019. Furthermore, the gross advances of the Bank increased by 18% and stood at Rs.134,907 million from Rs.113,976 million of 2019.

With a slight decrease of merely 6%, the overall balance sheet size stood at Rs.288,300 million in comparison to Rs.306,305 million of the year 2019. The shareholders' equity showed an increase of 17% over 2019 and stood at Rs.16,605 million.

To cover the post pandemic risks, the Bank has also cater to unforeseen deterioration in asset quality and has taken certain measures and created necessary buffer in the balance sheet to cope with provisioning, if any.

The Bank is providing banking facilities in the country through its expanding branch network of 179 branches and 11 sub-branches including Gilgit Baltistan and Azad Jammu & Kashmir. Further, our outreach is also catering to the banking needs of the people in the newly merged districts of the erstwhile FATA. During the year, a total of 91 branches were functioning as dedicated Islamic Banking branches.

FUTURE OUTLOOK

Since the impact of the COVID-19 is easing out, the global economies are taking measures to chalk out ways for recoveries. In line with the trend, the Bank's focus will be on harnessing technology to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner. We will work hard to regain and grow our market share in low cost deposits, consumer products and SME financing. We look forward to expanding our branch network to widen our reach and serve our customers.

Having the comprehensive launching pad, the Bank is all set to embark upon the journey of new initiatives and to explore new vistas. The Bank's target for the year 2021 will be to generate deposit growth driven primarily through CASA from the private sector. Special attention will be given to Home Remittance business for channeling in forex through the formal sector. This will be aided through broadening of product suite and further supported through the bank's digital banking platform which has been in operation since last year.

On the asset side, the bank intends to diversify financing portfolio by gradually moving from Government backed lending to private sector for fresh loans with potential of ancillary business and trade finance opportunities. Besides, other target areas remain Consumer Financing, Agriculture and SMEs to foster development and generate economic activity.

Emphasis will be on boosting trade volumes, increasing penetration in cash management with a focus on SME / commercial lending. Simultaneously, investing in human capital and creating a caring culture, will remain a key priority.

To save energy for the future, the Bank of Khyber intends to adopt renewable energy options. The first of such initiative is to open Solar Branches whereas existing branches will be converted accordingly.

The Bank has successfully executed different Government initiatives like Insaf Rozgar Scheme of the provincial government for the economic uplift of the newly merged districts and efficient execution of the PM's Kamyab Jawan Scheme across the country. It is expected that the Bank will also facilitate execution of more such schemes and will provide its cooperation in all the projects for social and economic uplift of the people of the country especially of the province of KPK.

DIRECTORS' REPORT TO THE SHAREHOLDERS

RISK MANAGEMENT FRAMEWORK

The Bank emphasizes on maintaining high risk management standards to ensure that the risks being faced by the Bank are properly identified, assessed and appropriate mitigation tools are adopted keeping in view their nature and concentration. Since an effective risk management framework demands active involvement of Board of Directors (BoD) and senior management in the formulation and oversight of risk management process, a robust governance structure exists at the Board and Management levels which provide strategic direction and has approved overall business strategies and significant policies including those related to managing and taking risks. BoD also ensures that senior management is fully capable of managing activities that they undertake during course of business.

The Board has also formed a specialized Board's Risk Management Committee ("BRMC") to oversee the risk management activities. The BRMC held regular meetings as per the given mandate and thoroughly reviewed primary risks including Credit, Market, Liquidity, Operational, Environmental and Country risks. In addition, the BRMC also took stock of other material items such as follow up and management of non-performing accounts, interest rate environment, and afforded guidance in the management of risk assets portfolio vis-à-vis capital. At the senior management level, the Bank has dedicated committees which include, inter-alia, the Head Office Credit Committees and Assets Liability Committee ("ALCO"). These committees discharge their responsibilities in accordance with their respective terms of reference.

Risk Management structure at the Bank has been founded in line with regulatory requirements and in line with industry best practices. The structure fundamentally ensures independence of risk from business functions to avoid conflict of interest and fosters better control environment. While the branches initiate business propositions for financing or investment and FI limits, the relevant support officials at the Head Office, conducts detailed analysis of these proposals before they are forwarded to Credit Risk Management Department for consideration. Credit Risk Management Department takes into account various factors such as borrowers' financial positions, industry dynamics and quality of collateral for evaluation and form the basis of onward recommendation to the approval authority. Under credit risk management policy, adequate procedures and limits are defined for ensuring that risk remains within the boundaries set by the Board.

INTERNAL CONTROLS

An internal control system is designed to provide reasonable assurance that the company ensures compliance of policies, plans and laws, efficient use of resources and integrity of financial and management information. The internal control system of the Bank is comprehensive, effectively implemented and being monitored regularly. The Bank has increased its emphasis on control procedures to confirm that corporate policies are executed and corrections are applied as and when required.

BOARD OF DIRECTORS

The total number of Directors are eight (8) as per the following:

- i. Male: Seven (7)
- ii. Female: One (1) *

(*) As per Section 11 (1) (b) of the Bank of Khyber Act, 1991, the Government of Khyber Pakhtunkhwa nominated Ms. Saleha Asif on the Board of the Bank in October, 2020 whose FPT documents were submitted to SBP for clearance. Her clearance has been received in January, 2021 and she will assume her duties as Director on the Board.

During the year 2020, details of Board and Board Committee meetings and their attendance by the Directors are as under:

S#	Directors	Board Meetings Total= 5	Audit Committee Total =5	HR&R Committee Total =5	Risk Management Committee Total =4	Compliance Committee Total =6	I.T Committee Total = 4	Investment Committee Total =0
1	Mr. Shakeel Qadir Khan Non-Executive Director	5	-	-	-	-	-	-
2	Mr. Atif Rehman Non-Executive Director	5	5	-	4	-	4	-
3	Mr. Maqsood Ismail Ahmad Sponsor / Nominee Director	5	-	5	4	4	-	-
4	Mr. Asad Muhammad Iqbal Independent Director	5	5	4	-	-	4	-
5	Mr. Javed Akhtar Independent Director	5	5	-	4	4	-	-
6	Mr. Rashid Ali Khan Independent Director	5	5	5	4	6	4	-
7	Mr. Ihsan Ullah Ihsan Managing Director (Acting)	5	-	5	4	-	4	-

DIRECTORS' TRAINING PROGRAM

During the year, owing to COVID-19 pandemic severities, no Director has attended Director's Training Program. Nonetheless, in compliance with the Code of Corporate Governance, three Directors namely Mr. Shakeel Qadir Khan, Mr. Asad Muhammad Iqbal and Mr. Rashid Ali Khan have already completed the Directors' Training Program through Pakistan Institute of Corporate Governance (PICG). Mr. Maqsood Ismail Ahmad has been granted exemption by Securities & Exchange Commission of Pakistan (SECP) on the basis of education and previous experience as Director of listed companies.

PERFORMANCE EVALUATION

The Bank has an in-house mechanism in place for Annual Evaluation of the Board's performance. In-house evaluation exercise for the year 2020 has been started and will be completed shortly.

Under the Code of Corporate Governance, a third party evaluation of the Board's performance was conducted through Pakistan Institute of Corporate Governance (PICG) which was started in 2018 and concluded in 2019. The next such exercise will be conducted after three years.

DIRECTORS' REMUNERATION

The current remuneration of non-executive and independent directors had been approved by the shareholders in the 27th Annual General Meeting held on March 29, 2018. According to the approval, an amount of Rs.50,000/- per meeting (net of taxes) was approved for the non-executive and independent directors for attending Board and its committees' meetings. A Director's Travel, Accommodation and Remuneration Policy duly approved by the Board of Directors outlining entitlements and remuneration of Non-Executive Directors is in place.

CREDIT RATING

VIS Credit Rating Company Ltd. (VIS) has reaffirmed the long term and short term entity ratings of the Bank at "A" (Single A) and "A-1" (A One) respectively. Outlook on the assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has also maintained the long term and short term entity ratings of the Bank at "A" (Single A) and "A1" (A One). Rating outlook is "Stable".

The ratings denote low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

DIRECTORS' REPORT TO THE SHAREHOLDERS

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social responsibility is a tool of positive change and continues to be one of the most important aspects of business. Being a socially responsible corporate entity, the Bank has always ensured to operate in an ethical framework while contributing to socio-economic development of the society. The Bank undertook several CSR initiatives in the areas like Education, Sports, Culture & Heritage, Tourism, Agriculture, Woman Empowerment and Environment. Activities during the year included:

- Sponsored Deputy Commissioner Dir Upper for Establishment of Tourist Facilitation Centers
- Sponsored KP Tennis Association – Bank of Khyber KP Tennis Championship
- Sponsored KMC Annual Literary & Sports Week
- Sponsored Khyber Medical College Peshawar Sports Gala
- Sponsored Legal Research Institute of Pakistan – Event Branding
- Sponsored KP Peace Cricket League
- Sponsored PDA – Financial Assistance (Donation) for fighting COVID-19
- Sponsored Trans Peshawar – BRT Launch Ceremony
- Sponsored Donation to 8 Commando Battalion SSG for Library Books
- Sponsored Department of Criminology, University of Peshawar Youth Camp
- Sponsored University of Engineering & Technology, Mardan Sports Event – 2020
- Sponsored Abdul Wali Khan University Mardan Medical Center
- Sponsored Beautification Project by Water & Sanitation Services Company (WSSC), D.I. Khan

VALUE OF INVESTMENTS IN EMPLOYEES RETIREMENT BENEFIT FUNDS

Book Value of Investments of Provident and Gratuity Funds as per un-audited accounts of these funds for the year ended December 31, 2020 are Rs.1,723.925 million and Rs.858.265 million respectively.

PATTERN OF SHAREHOLDING

The pattern and category of shareholding as at December 31, 2020 is annexed with the Annual Report.

SIX YEARS OPERATING AND FINANCIAL DATA

The six years highlights of operating and financial data is appended below:

	2015	2016	2017	2018	2019	2020
Deposit	117,292	157,020	159,247	171,168	182,168	203,072
Advances (net)	36,454	31,644	83,369	95,012	109,742	129,063
Investments	88,296	141,602	140,474	94,233	146,911	113,479
Total Assets	155,159	206,400	245,132	223,095	306,305	288,300
Capital & Reserves	13,973	14,685	14,943	13,809	14,982	16,605
Profit before tax	2,959	3,240	2,795	707	2,261	3,806
Profit after tax	1,789	2,020	1,790	466	1,306	2,152
Return on Equity	13%	14%	12%	4%	9%	13%

EARNINGS PER SHARE

Earnings per share for the year 2020 is Rs.2.15.

EXTERNAL AUDITORS

The present Auditors M/s. EY Ford Rhodes being eligible for reappointment offered themselves for reappointment. The Board Audit Committee has recommended the appointment of M/s. EY Ford Rhodes, Chartered Accountants as Statutory Auditors of the Bank for the year ending December 31, 2021.

The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

SERVICE QUALITY

Improved Service Quality increases profitability and is a competitive edge for any bank in the industry. Service Quality Department at BoK is working diligently in order to achieve the objective of strengthen the services & implementing a Customer centric culture in the Bank. This is why Bank of Khyber has ensured uninterrupted service delivery in worst situation of COVID19 as branches were kept open for customer facilitations.

In order to address customers' complaints in a systematic manner, the Complaint Management Unit works under theegis of Service Quality Department. Every single complaint is given due importance and tries to resolve within the shortest possible time by keeping the customers informed about the complaint status.

The average Turn Around Time (TAT) for resolution of complaint has been maintained at 3.7 Days where as the approved TAT for complaint resolution is 7 days.

Complaints	From 01-01-2020 to 31-12-2020
Number of Complaints	357
Average Time taken in settlement of a complaint	3.7 Day

The Bank's management is committed towards creating a culture of fairness in customer dealing for which a well-defined Consumer Protection Framework has been developed which clearly defines the protocols that need to be followed to safeguard the rights of the customer.

In order to further strengthen the Customers Bond with the Bank the Concept of Model branches will be introduced in the coming year.

EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

ACKNOWLEDGEMENT

On behalf of the Board, we would like to express our appreciation to the provincial government, State Bank of Pakistan and other regulatory authorities for their continuous support and guidance. The trust of our valued shareholders and customers is greatly appreciated whereas continued dedication, enthusiasm and loyalty of the employees are acknowledged with thanks.

On behalf of the Board of Directors



Ihsan Ullah Ihsan
Managing Director (Acting)

Peshawar: March 02, 2021



Shakeel Qadir Khan
Chairman

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of company: The Bank of Khyber

Year ended: December 31, 2020

The Bank has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are eight (8) as per the following,

- a. Male: : Seven (7)
- b. Female: : One (1) *

2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Javed Akhtar Mr. Asad Muhammad Iqbal Mr. Rashid Ali Khan (Nominee) Ms. Saleha Asif (*)
Other Non-Executive Director	Mr. Shakeel Qadir Khan Mr. Atif Rehman Mr. Maqsood Ismail Ahmad
Executive Directors	Mr. Ihsan Ullah Ihsan (Acting Managing Director)

* SBP Clearance for Ms. Saleha Asif has been granted on January 26, 2021 and she had assumed her duties as Board member.

The State Bank of Pakistan has raised observation on the independence status of nominee Directors. The Bank maintains the independence status of nominee Directors on the basis of clearance received from the State Bank of Pakistan under Fit and Proper Test (FPT) criteria and also that these appointments are made under Section 11 of the Bank of Khyber Act, 1991, the said Act being special enactment prevails over other laws including the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Companies Act, 2017. The Bank is duly supported by legal advice on the matter.

Three Directors namely Mr. Maqsood Ismail Ahmad, Mr. Asad Muhammad Iqbal and Mr. Javed Akhtar were elected in EOGM held on June 01, 2018 and their FPT documents were duly submitted to the State Bank of Pakistan (SBP). Approval of the said Directors was delayed since the Directors being in their third term required exemption from Section 15 (B)(1) of the Banking Companies Ordinance, 1962 (BCO) which was to be granted by the Finance Division, Government of Pakistan.

Later, the State Bank of Pakistan vide its letter dated December 14, 2020 had intimated that the request for exemption for the above named Directors (being nominee directors of M/s. Ismail Industries Limited) from Section 15 B (1) of the BCO, 1962 has not been acceded to by the Finance Division and as such approval for another term has not been granted to the said Directors.

M/s. Ismail Industries Limited (Sponsor shareholder) filed a suit in the Sindh High Court to challenge the refusal of the Finance Division to grant exemption under the said section. The Honourable High Court has passed an ad-interim injunction / stay order in the Suit whereby operation of the SBP letter of 14.12.2020 was suspended and the nominee Directors would remain Directors till expiry of their term.

Further, as per Section 11 (1)(b) of the Bank of Khyber Act, 1991, the Government of Khyber Pakhtunkhwa nominated Ms. Saleha Asif on the Board of the Bank in October, 2020 whose FPT documents were submitted to SBP for clearance. Her clearance has been granted on January 26, 2021 and she will assume her duties as Director on the Board. Subsequent to clearance received from SBP, the Chairman sent out a letter to Ms. Saleha Asif setting out her role and responsibilities.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;

4. The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Bank of Khyber Act, 1991, the Companies Act, 2017 and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act, 2017, The Bank of Khyber Act, 1991 and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Bank of Khyber Act, 1991 and these Regulations;
9. During the year, owing to COVID-19 pandemic situation, Director's Training Program could not be arranged. However, the Bank intends to arrange Director's Training Program for the new Directors at the earliest.

It is to be noted that Mr. Shakeel Qadir Khan, Mr. Asad Muhammad Iqbal and Mr. Rashid Ali Khan have already completed the Director's Training Program through Pakistan Institute of Corporate Governance. Mr. Maqsood Ismail Ahmad had been granted exemption under the Code.

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration, terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

S #	Name Of Committee	Current Membership
1	Audit Committee	1. Mr. Asad Muhammad Iqbal - Chairman 2. Secretary Finance - Member 3. Mr. Javed Akhtar - Member
2	Human Resource & Remuneration Committee	1. Mr. Maqsood Ismail Ahmad / Ms. Saleha Asif* - Chairperson 2. Mr. Maqsood Ismail Ahmad - Member 3. Managing Director - Member
3	Risk Management Committee	1. Mr. Maqsood Ismail Ahmad - Chairman 2. Mr. Javed Akhtar - Member 3. Mr. Rashid Ali Khan - Member
4	I.T Steering Committee	1. Secretary Finance - Chairman 2. Mr. Asad Muhammad Iqbal - Member 3. Mr. Rashid Ali Khan / Ms. Saleha Asif* - Member
5.	Compliance Committee	1. Mr. Rashid Ali Khan - Chairman 2. Mr. Javed Akhtar - Member 3. Mr. Maqsood Ismail Ahmad / Ms. Saleha Asif* - Member
6.	Investment Committee	1. Secretary Finance - Chairman 2. Mr. Maqsood Ismail Ahmad - Member 3. Mr. Asad Muhammad Iqbal - Member 4. Managing Director - Member

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

- * SBP Clearance for Ms. Saleha Asif has been granted on January 26, 2021 and she will assume her duties as member of the committees.
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
14. Every Board Committee met at least once in a quarter and meetings held during the year were as follows:
- | | |
|-----------------------------|---|
| Audit Committee | 5 meetings held in the year 2020 |
| HR & Remuneration Committee | 5 meetings held in the year 2020 |
| Risk Management Committee | 4 meetings held in the year 2020 |
| I.T Steering Committee | 4 meetings held in the year 2020 |
| Compliance Committee | 6 meetings held in the year 2020 |
| Investment Committee | 0 meetings held in the year 2020 (Constituted on August 19, 2020) |
15. The Board has set up an effective internal audit function. The staff members in Internal Audit function are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank;
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with. Following is appropriate explanation as to impediment in the Bank's compliance with non-mandatory requirements of the Regulations:

Orientation program could not be arranged for the Directors due to COVID-19 pandemic situation. The Bank intend to conduct such program in FY 2021.

Owing to COVID-19 pandemic situation, all the directors were not able to attend 29th Annual General Meeting except Mr. Rashid Ali Khan and Mr. Ihsan Ullah Ihsan.



Ihsan Ullah Ihsan
Managing Director (Acting)



Shakeel Qadir Khan
Chairman



To the members of The Bank of Khyber

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **The Bank of Khyber** (the Bank) for the year ended **31 December 2020** in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2020.

We draw attention to paragraph 2 to the statement of compliance which describes the reason for carrying the nominee directors under independent category. Our conclusion is not modified in this respect.



Chartered Accountants
Place: Islamabad
Date: 07 March 2021

STATEMENT OF INTERNAL CONTROLS

This statement is issued in compliance with State Bank of Pakistan (SBP) circular No. 07 of 2004 on internal controls.

An internal control system is a set of procedures and activities designed to identify, evaluate mitigate risks in processes and operations in order to support the overall objectives and vision of the Bank. The Board of Directors is ultimately responsible for the internal control system.

It is the responsibility of the Bank's management to establish a system for adequate and reasonably effective internal control environment on an ongoing basis. Management of the Bank is fully aware of its responsibility and has implemented and maintained system of internal control under the approved policy of the Board of Directors.

The management of the Bank has therefore formulated, implemented, and maintained a system of internal controls approved by the Board of Directors, to achieve effectiveness and efficiency of operations while adhering to applicable laws and regulations and preserving the reliability of financial reporting. Therefore, the bank follows "three lines of defense model" with front office management being customer facing is "first line" while Compliance, Risk Management providing assurance over related internal controls on continuous basis as "second line" and Internal Audit being assurance provider on Bank's overall internal control structure is "third line" of defense.

The Bank has various Board Level Committees and under the guidance of BoD, management has constituted various Management Committees Compliance Committee, Risk Management Committee and Projects Steering Committee to monitor, review and provide oversight of compliance and control related matters across all units and locations of the Bank. There known gaps, its corrective action plans were escalated and reviewed for implementation on periodic basis.

The bank has implemented various key policies, SOPs, guidelines and manuals covering all the areas of management and operations including those related to employees' welfare, management process and contingencies. The management also emphasizes on training and development of staff across all levels of bank to enhance knowledge and understanding of Bank's internal control procedures and regulatory compliance.

Board Level Committees are chaired by Independent Directors and Management Level Committees are chaired by the Management Director to demonstrate highest level of commitment toward implementation of effective and efficient internal controls system.

Internal Audit conducts risk based audits of activities and processes to evaluate the adequacy and effectiveness of the control environment of the Bank. All significant/material

findings of Internal Audit and External Audit are reported to the Board Audit Committee (BAC) with agreed management actions and timelines. Internal Audit tracks closure of all findings through validation of agreed management actions and the status is regularly reported to the Management Committee and Board Audit Committee.

The Bank follows SBP's directives for Internal Controls over Financial Reporting (ICFR), under COSO framework and has complied with the SBP's stage wise implementation roadmap and a Long Form Report (LFR) on the assessment of Bank's ICFR issued by the statutory auditors was submitted to SBP in compliance with its directives stated in OSED Circular No. 1 of 2014 dated February 07, 2014. During the year, the Bank conducted testing of financial reporting controls for ensuring the effectiveness of ICFR throughout the year. The Bank believes that deficiencies identified doesn't have a material impact on financial reporting.

During the year, The Bank has further embarked on improving efficiency and effectiveness of internal controls through the implementation of widely used Core Banking Software T-24, wherein 20 branches with high turnover of business transactions along with treasury and Head Office functions, were migrated while rest of the branches are planned to be migrated during first half of year 2021.

MANAGEMENT'S EVALUATION ON EFFECTIVENESS OF CONTROL FRAMEWORK

Based upon the results derived through ongoing testing of financial reporting controls and internal audits carried out during the year, management believes that the Bank's existing system of Internal Control is considered reasonable in design and is being effectively implemented and monitored. The management will continue enhancing its coverage and compliance with the SBP Guidelines on Internal Controls and further strengthening its control environment on an ongoing basis.

Bank's Board of Directors endorses the management's evaluation of effectiveness of control framework including ICFR.



Ihsan Ullah Ihsan
Managing Director (Acting)



Shakeel Qadir Khan
Chairman

Report of Shariah Board (For the year ended 2020)

نحمدہ ونصلی علی رسولہ الکریم
بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

Islamic Banks have been able to establish their foothold in the global financing industry owing the shariah compliance nature of their products. However, Islamic Banks are therefore Islamic as they perform their activities according to shariah principles. Therefore, shariah compliance is regarded as the foundation of the Islamic Banking.

Shariah Compliance Mechanism of The Bank

To ensure the shariah compliance in Islamic Banking Group (IBG) of the Bank of Khyber (BOK) there is proper check and balance mechanism to confirm that all activities of the IBG are in line with the Islamic principles. In this mechanism the role of Shariah board could not be denied in the creation of shariah compliance culture within the organization, however there are other units working to further strengthened the concept of shariah compliance.

Shariah Compliance Division (SCD)

IBG, has an independent Shariah Compliance Division (SCD) works under the supervision of the Shariah Board (SB) to ensures Shariah-compliance in all products/activities of IBG. SCD periodically reviews the implementation of existing products, perform research and analysis on Shariah issues, facilitate in Islamic banking trainings and awareness sessions and verify distribution of profit and loss to the depositors prior to its disbursement.

Shariah Review & Shariah Audit

Shariah Audit and review functions play a vital role in achieving the objective of Shariah compliance by evaluating and assessing activities of IBG to validate the shariah compliance environment and provide recommendations in order to add value and improve the degree of shariah compliance in relation to such activities. Therefore, both the shariah audit and review yearly plans were approved by SB and all shariah audit and review reports were submitted to SB in compliance with the shariah rulings issued by the IBD-SBP and SB.


Shariah Training & Awareness


To ensure that necessary training has been imparted to all the Islamic banking staff to keep them abreast with the latest developments in the field, as instructed by SBP through SGF, Annual Islamic Banking Training Plan was approved by SB. During the year, various Islamic Banking training were held onsite as well as off site for the staff of IBG-BOK. Apart from Training for staff, public awareness programs for bank's clients and general public were also held in various regions of the country.

SB Opinion On Overall Environment of Shariah Compliance:

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of (Islamic Banking Group (IBG)) are conducted in a manner that always comply with Shariah principles, we are required to submit a report on the overall Shariah compliance


Qazi Abdul Samad
RSBM


Mufti Muhammad Ibrahim Essa
Member Shariah Board


Mufti Muhammad Zahid
Chairman Shariah Board

Page 1 of 2

environment of (Islamic Banking Group (IBG). **Therefore, based on the above-mentioned activities, we are of the view that:**

- The Islamic Banking Group has complied Shariah rules and principles related to Shariah compliance issued by Shariah Board of the bank.
- IBG has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Advisory Committee.
- IBG-BOK has a comprehensive mechanism in place to ensure Shariah compliance in its overall operations. The mechanism comprising of independent Shariah Board, shariah compliance division, Internal Shariah Audit & Shariah Review Departments, full time RSBM and regular / frequent in-house and external trainings for Islamic Banking staff in line with Shariah Governance Framework of SBP are in place.
- The bank has a comprehensive profit & Loss distribution and Pool Management system and during the year under review, profit distribution mechanism and allocation of funds, income & expenses, weightages and other affairs of the IBG of the bank are in conformity with the bases that have been approved by the SB in accordance with Islamic rules and principles.
- All sources of income of the bank are Shariah compliant and any earning which has been realized from sources or by means prohibited by Islamic rules and principles have been transferred to the Charity Account which will be distributed as per approved Charity policy of the bank.
- During the period under the review, SB has recommended to the management to develop the skills of Islamic banking staff. In this regard, the Training Division of HRD Group has arranged various trainings in Training academy of the bank and nominated sizable number of staff members in trainings arranged by NIBAF and other Islamic banking training Organization. The SCD also conducted sessions, Group discussions with IBBs & IBWs staff during visits for Shariah Compliance Reviews.
- The level of awareness, capacity and sensitization of the staff, and the management for Shariah Compliance remained very satisfactory.
- The Shariah Board has been provided adequate resources enabling it to discharge its duties, effectively.

Conclusion

On that note, we, members of Shariah Board of Islamic Banking Group – the Bank of Khyber, do hereby confirm that, in our level best, the operations of the IBG- BOK for the year ended 31 December 2020 have been conducted in conformity with the Shariah rules and principles.

May Allah ﷻ bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the life hereafter and forgive our mistakes.

We bear witness only to what we know, and we could not well guard against the unseen! (Surah Yusuf, verse:81)

والله اعلم بالصواب
والسلام



Qazi Abdul Samad
RSBM



Mufti Muhammad Ibrahim Essa
Member Shariah Board



Mufti Muhammad Zahid
Chairman Shariah Board

سالانہ شریعہ بورڈ رپورٹ 2020ء

نحمدہ ونصلی علی رسولہ الکریم
بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الحمد للہ! آج اسلامی بینکاری نے مالیاتی انڈسٹری میں شرعی اصولوں کے موافق کاروبار اور خدمات فراہم کرنے کی وجہ سے اپنا لوہا منوایا ہے۔ تاہم اسلامی بینکاری اس وقت تک اسلامی اور جائز سمجھی جائے گی، جب تک اس میں شریعت کے زریں اصولوں کی پاسداری ہو۔ اس لئے شرعی اصولوں کی تعمیل اس کی اولین ترجیح ہے۔

بینک آف خیبر (راست اسلامی بینکاری) کا شرعی ڈھانچہ

خیبر بینک کا اسلامی نظام (جسے آئی بی جی۔ راست اسلامی بینکاری نام سے پہچانا جاتا ہے) کے پاس تمام حتمی منصوبہ بندیوں اور اسلامی عقود کو شروع سے لے کر پایہ تکمیل تک پہنچانے کیلئے ایک مکمل نظام موجود ہے۔ ادارے کے معاملات کو ہمہ وقت شریعت کے موافق رکھنے کیلئے شریعہ بورڈ کا کردار اپنی جگہ مسلم ہے، اس کے ساتھ ساتھ مندرجہ ذیل شعبہ جات بھی شرعی احکام کو عملی جامہ پہنانے کیلئے کوشاں ہیں۔

شریعی کپلائنس ڈویژن

آئی بی جی میں شریعہ بورڈ کے زیر نگرانی ایک مستقل اور آزاد شریعہ کپلائنس ڈویژن کام کر رہا ہے، جو اس بات کو یقینی بناتا ہے کہ آئی بی جی کے تمام معاملات مثلاً عام لوگوں سے پیسوں کی وصولی (ڈیپازٹس)، ان پیسوں سے آگے تجارت کرنا اور تجارت سے حاصل ہونے والے نفع و نقصان کی تقسیم شرعی قواعد اور اصولوں کے عین مطابق سرانجام پائے، اس کے ساتھ ساتھ روزمرہ نئے مسائل کی شرعی تحقیق اور اسلامی بینکاری سے منسلک عملہ کی فنی تربیت بھی احسن طریقے سے انجام پائے۔

شعبہ تحقیق و نظر ثانی (Research & Review) اور شعبہ محاسبہ (Shariah Audit)

بینک کے عملی طور پر انجام پانے والے تمام معاملات میں شرعی اصولوں کی پاسداری کو یقینی بنانے میں شریعہ آڈٹ ڈیپارٹمنٹ اور شریعہ ریویو ڈیپارٹمنٹ کا کردار بھی بہت اہمیت کا حامل ہے۔ ان شعبوں نے رواں سال اسلامی بینکاری کے اکثر معاملات کی جانچ پڑتال شرعی نقطہ نگاہ سے کر کے اپنی سفارشات شریعہ بورڈ کو پیش کیں، جن پر شریعہ بورڈ نے اپنی ہدایات متعلقہ ڈیپارٹمنٹس کو جاری کر دیں۔

اس کے ساتھ ساتھ شریعہ بورڈ یا اسٹیٹ بینک آف پاکستان کی طرف سے دیے گئے تحقیقی مسائل پر شریعہ کپلائنس ڈویژن نے تحقیقات مرتب کر کے شریعہ بورڈ یا متعلقہ ادارے کو پیش کیں۔ ان تمام کاموں کا مقصد صرف اس بات کو یقینی بنانا ہے کہ بینک کے تمام معاملات شرعی اصولوں، اسٹیٹ بینک کے شریعہ بورڈ اور اسلامک بینکنگ ڈیپارٹمنٹ آف اسٹیٹ بینک کی ہدایات کے عین موافق ہوں۔

عملہ کی فنی تربیت اور عوامی آگاہی

اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک میں جاری کی گئی ہدایات کے مطابق یہ ضروری ہے کہ آئی بی جی میں موجود تمام لوگ وقت کے ساتھ ساتھ اسلامی بینکاری میں ہونے والے تمام عقود اور پراڈکٹس کو سرانجام دینے کیلئے علمی اور عملی طور پر مکمل تیار ہوں، اس سلسلے میں سالانہ ٹریننگ پلان شریعہ بورڈ کو منظوری کے لئے پیش کیا گیا، اس سلسلے میں اس سال عملے کی فنی تربیت کیلئے اندرون بینک اور بیرون بینک نیز الیکٹرانک میڈیا چینلز کے ذریعے مختلف ٹریننگز منعقد کی گئیں۔ اس کے ساتھ علاقائی طور پر عوامی آگاہی اور اسلامی بینکاری سے جاری ہونے والے تمویل کاری کے منصوبوں کے بارے میں عام لوگوں کو روشناس کرنے کیلئے مختلف علاقوں میں آگاہی سیمینارز کا انعقاد کیا گیا۔

بینک کے مجموعی صورتحال کے بارے میں شریعہ بورڈ کی رائے

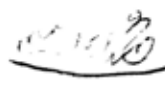
اسٹیٹ بینک کی ہدایات کے مطابق اگرچہ بینک کے بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ اس بات کی ذمہ دار ہے کہ وہ اس بات کو یقینی بنائے کہ بینک کا پورا نظام شرعی اصولوں کے عین مطابق چل رہا ہے، تاہم ہم (شریعی بورڈ ممبران) آئی بی جی کی عمومی صورتحال پر اپنی رائے پیش کرتے ہیں۔ جس کے لئے مذکورہ بالا تصریحات اور عملی سرگرمیوں کا جائزہ لیتے ہوئے ہماری رائے ہے کہ:

آئی بی جی نے شریعہ بورڈ کی طرف سے جاری کردہ تمام ہدایات کی تعمیل کی ہے۔



مفتی محمد زاہد

چئیرمین شریعہ بورڈ



مفتی محمد ابراہیم عیسیٰ

ممبر شریعہ بورڈ



مفتی محمد علی

کل وقتی شریعہ بورڈ ممبر

22 | THE BANK OF KHYBER

INDEPENDENT AUDITORS' REPORT

To the members of The Bank of Khyber

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of The Bank of Khyber, which comprise the statement of financial position as at 31 December 2020, and the profit and loss account and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 16 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss and the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2020 and of the profit, and the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITORS' REPORT

Following is the key audit matter:

Key audit matters	How the matter was addressed in our audit
1. Provision against Non-Performing loans and advances	
<p>The Banks advances include fund based and non-funded financing facilities. The portfolio is spread across various domestic branches and includes corporate financing to public sector entities and private sector businesses as well as consumer financing to individuals.</p> <p>As per the Bank's accounting policy (refer note 6.4.8 to the financial statements), the Bank determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations (PR) of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning against financing losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio.</p> <p>The determination of financing loss provision against certain corporate financing, therefore, involves use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, including impact of Covid-19 pandemic, borrowers' repayment behaviors and realizability of collateral held by the Bank.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgment and estimation. Because of the significance of the impact of these judgments / estimations and the materiality of advances in context of the total assets of the Bank, we considered the related provisioning as a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against advances are included in notes 6.4.8 and 11 respectively to the financial statements.</p>	<p>Our audit procedures in respect of impairment of advances, amongst others, included the following:</p> <ul style="list-style-type: none"> • We reviewed the Bank's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be; • We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; • We also reviewed, on a sample basis, the underlying independent valuations of the collaterals used against the outstanding exposures to calculate the amount of provision; • In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant corporate financing and performed tests and procedures such as review of financing documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower; • In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management and the approvals in place for such policy; • We have assessed the reasonableness of management of the Bank's assessment of the impact of Covid-19 on the credit risk associated with its portfolio; • We have assessed the Bank's compliance with the directives of the State Bank of Pakistan (SBP), in respect of SBP Covid-19 pandemic relief measures; and • We also assessed the adequacy of disclosures as included in notes 6 and 11 to the financial statements regarding non-performing financing and provisions made for the same in accordance with the requirements of the applicable financial reporting framework.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the statement of financial position, the statement of profit and loss and the statement of comprehensive income, statement of changes in equity and cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Ahsan Shahzad.



Chartered Accountants

Place: Islamabad

Date: 7 March 2021

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Note	2020 Rupees in '000	2019
ASSETS			
Cash and balances with treasury banks	7	15,840,359	12,137,805
Balances with other banks	8	9,092,355	8,230,072
Lendings to financial institutions	9	7,297,519	13,863,449
Investments	10	113,478,994	146,911,102
Advances	11	129,063,377	109,742,292
Fixed assets	12	3,472,025	3,334,670
Intangible assets	13	532,167	286,255
Deferred tax assets	14	459,902	1,031,154
Other assets	15	9,063,193	10,768,453
		288,299,891	306,305,252
LIABILITIES			
Bills payable	16	944,140	1,172,155
Borrowings	17	57,063,018	94,656,461
Deposits and other accounts	18	203,071,658	182,167,572
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	19	9,449,525	14,107,711
		270,528,341	292,103,899
NET ASSETS		17,771,550	14,201,353
REPRESENTED BY			
Share capital	20	10,002,524	10,002,524
Reserves		3,335,048	2,904,691
Surplus / (Deficit) on revaluation of assets	21	1,166,961	(780,670)
Unappropriated profit		3,267,017	2,074,808
		17,771,550	14,201,353

CONTINGENCIES AND COMMITMENTS

22

The annexed notes 1 to 46 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 Rupees in '000	2019
Mark-up / return / interest earned	23	25,673,375	24,656,535
Mark-up / return / interest expensed	24	18,911,494	19,890,617
Net mark-up / interest income		6,761,881	4,765,918
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	387,505	397,634
Dividend income		16,656	13,393
Foreign exchange income		612,800	284,734
Gain / (loss) on securities	26	1,735,042	289,764
Other income	27	125,658	126,957
Total non-markup / interest income		2,877,661	1,112,482
Total income		9,639,542	5,878,400
NON MARK-UP / INTEREST EXPENSE			
Operating expenses	28	4,223,198	3,620,419
Workers welfare fund		-	-
Other charges	29	55	17,762
Total non-markup / interest expenses		4,223,253	3,638,181
PROFIT BEFORE PROVISIONS		5,416,289	2,240,219
(Provisions) / reversals - net	30	(1,610,005)	21,092
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		3,806,284	2,261,311
Taxation	31	(1,654,501)	(955,272)
PROFIT AFTER TAXATION		2,151,783	1,306,039
Rupees			
Basic and diluted earnings per share	32	2.15	1.31

The annexed notes 1 to 46 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 Rupees in '000	2019
Profit after taxation for the year		2,151,783	1,306,039
Other comprehensive income			
Items that may be reclassified to profit and loss account in subsequent periods:			
Net change in fair value of available for sale securities	21	2,903,043	2,036,953
Related deferred tax	14.1	(1,016,065)	(712,931)
		1,886,978	1,324,022
Items that will not be reclassified to profit and loss account in subsequent periods:			
Re-measurement loss of defined benefit obligation	35.1.8	(44,663)	(162,624)
Related current tax		15,632	56,918
Related deferred tax	14.1	-	(27,586)
		(29,031)	(133,292)
Surplus on revaluation of fixed assets	12.3	11,919	-
Surplus on revaluation of non-banking assets	21	74,976	-
Related deferred tax	14.1	(26,242)	-
		48,734	-
Total other comprehensive income		1,918,600	1,190,730
Total comprehensive income		4,070,383	2,496,769

The annexed notes 1 to 46 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of			Unappropriated profit	Total
			Investments	Fixed assets	Non-banking assets		
			Rupees in '000				
Balance as at January 01, 2019	10,002,524	2,643,483	(2,878,875)	774,183	-	1,163,269	11,704,584
Profit after taxation	-	-	-	-	-	1,306,039	1,306,039
Other comprehensive income - net of tax	-	-	1,324,022	-	-	(133,292)	1,190,730
Total comprehensive income	-	-	1,324,022	-	-	1,172,747	2,496,769
Transfer to statutory reserve	-	261,208	-	-	-	(261,208)	-
Transactions with owners, recorded directly in equity							
Cash dividend	-	-	-	-	-	-	-
Balance as at December 31, 2019	10,002,524	2,904,691	(1,554,853)	774,183	-	2,074,808	14,201,353
Profit after taxation	-	-	-	-	-	2,151,783	2,151,783
Other comprehensive income - net of tax	-	-	1,886,978	11,919	48,734	(29,031)	1,918,600
Total comprehensive income	-	-	1,886,978	11,919	48,734	2,122,752	4,070,383
Transfer to statutory reserves	-	430,357	-	-	-	(430,357)	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 0.50 per share)	-	-	-	-	-	(500,186)	(500,186)
Balance as at December 31, 2020	10,002,524	3,335,048	332,125	786,102	48,734	3,267,017	17,771,550

The annexed notes I to 46 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 Rupees in '000	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		3,806,284	2,261,311
Less: Dividend income		16,656	13,393
		3,789,628	2,247,918
Adjustments:			
Depreciation - Property and equipment		277,530	317,333
Depreciation - Non-banking assets acquired in satisfaction of claims		29,540	2,461
Depreciation - Right-of-use assets		336,233	329,381
Amortization		42,472	43,450
Deficit on revaluation of non-banking assets		12,550	-
Provisions / (reversals) - net		1,610,005	(21,092)
Mark-up expense on lease liability against right-of-use assets		129,610	151,587
(Gain) / loss on early culmination of lease		(4,175)	1,469
Unrealized exchange gain on cash and cash equivalent		(444,795)	(234,651)
Loss / (gain) on sale of fixed assets		117	(506)
		1,989,087	589,432
		5,778,715	2,837,350
Increase in operating assets			
Lendings to financial institutions		6,565,930	(6,167,807)
Held-for-trading securities		(1,248,722)	(15,499)
Advances		(20,931,090)	(14,809,177)
Others assets (excluding advance taxation)		1,441,803	(5,274,431)
		(14,172,079)	(26,266,914)
(Decrease)/ increase in operating liabilities			
Bills payable		(228,015)	277,029
Borrowings from financial institutions		(37,593,443)	59,814,347
Deposits		20,904,086	11,000,016
Other liabilities		(5,725,715)	8,368,794
		(22,643,087)	79,460,186
Income tax paid		(689,091)	(477,001)
Net cash flow (used in) / generated from operating activities		(31,725,542)	55,553,621
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		35,480,788	(55,529,197)
Net investments in held-to-maturity securities		2,106,767	5,003,666
Dividends received		16,656	13,393
Investments in fixed assets		(580,930)	(363,795)
Investments in intangible assets		(288,384)	(250,855)
Proceeds from sale of fixed assets		156	666
Net cash flow generated from / (used in) investing activities		36,735,053	(51,126,122)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(500,213)	(57)
Payment against lease liabilities		(389,256)	(351,029)
Net cash flow used in financing activities		(889,469)	(351,086)
Net increase in cash and cash equivalents		4,120,042	4,076,413
Net foreign exchange difference		444,795	234,651
Increase in cash and cash equivalents		4,564,837	4,311,064
Cash and cash equivalents at beginning of the year	33	20,367,877	16,056,813
Cash and cash equivalents at end of the year	33	24,932,714	20,367,877
Additional information on operational cash flows from interest			
Interest paid		(24,387,158)	(12,695,435)
Interest received		27,205,000	23,167,848

The annexed notes 1 to 46 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. STATUS AND NATURE OF BUSINESS

The Bank of Khyber ("the Bank") was established under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and is listed on the Pakistan Stock Exchange Limited. The registered office of the Bank is situated at 24 - The Mall, Peshawar Cantt, Peshawar and it has been temporarily shifted to 1st Floor, State Life Building, 34 - The Mall, Peshawar Cantt. The Bank operates 179 branches including 91 Islamic banking branches (2019: 169 branches including 84 Islamic banking branches). The long term credit ratings of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A' and 'A' respectively and the short-term credit ratings assigned are 'A1' (A-One) and 'A-1' (A-One) respectively.

2. BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for Murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.
- 2.2** The Islamic banking branches of the Bank have complied with the requirements as set out in the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.3** The financial results of the Islamic Banking Branches have been included in these financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Branches are disclosed in Annexure "II" to these financial statements.
- 2.4** These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 2.5** Investments in associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

3. STATEMENT OF COMPLIANCE

- 3.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:
 - International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 3.2** These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated January 25, 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3.3 The SBP, vide BPRD Circular No. 4, dated October 23, 2019, has deferred the applicability of IFRS 9, Financial Instruments until January 01, 2021. The SBP, vide BSD Circular No. 10, dated August 26, 2002 has also deferred the applicability of International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to a notification of SECP dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through its various circulars.

3.4 SBP through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for institutions offering islamic financial services. The standard will result in certain new disclosures in the financial statements of the Bank as and when notified by SBP.

3.5 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting period beginning on or after January 01, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations therefore not detailed in these financial statements.

3.6 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2021;

Standard		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments – original (refer to note 3.7.1)	January 01, 2021
IFRS 7 & IFRS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 01, 2021
IFRS 3	Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 01, 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Standard		Effective date (annual periods beginning on or after)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	January 01, 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	January 01, 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

In addition to the above new standards and amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after January 01, 2022:

IFRS 9	Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
IFRS 16	Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.
IAS 41	Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The Bank expects that the adoption of the above standards, amendments and improvements will have no material effect on the Bank's financial statements, in the period of initial application. Moreover, status of IFRS 9 implementation is discussed in note 3.7.1.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2004
IFRS 17	Insurance Contracts	January 01, 2023

The Bank expects that the adoption of the above standards will have no material effect on the Bank's financial statements, in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3.7.1 IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has calculated the impact of adoption of IFRS 9 on the financial statement of the Bank on the date of initial application, which will be finalized post issuance of IFRS 9 guidelines from SBP.

4 BASIS OF MEASUREMENT

Accounting convention

These financial statements have been prepared under the historical cost convention except that certain class of operating fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments are stated at fair value and the recognition of certain employees benefits at present value, as disclosed in their respective notes.

5 SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with applicable accounting and reporting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

5.1 Classification of investments

- In classifying investments the Bank follows the guidance provided in SBP circulars.
- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments other than those in associates which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

5.2 Impairment of available-for-sale equity investments and investment in associate

The Bank determines that "available-for-sale" equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolong requires management to exercise judgment. In making this judgment, the Bank evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

5.3 Provision against advances

The Bank reviews its loan portfolio including islamic financing and related assets to assess the amount of non-performing loans and advances and islamic financing and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of the Prudential Regulations are considered.

Till December 31, 2019, the Bank was maintaining general provision against its portfolio of loans and advances in accordance with prudential regulations which require general provision only against consumer finance portfolio. During the year, the Bank has also made general provision against its remaining portfolio of loans and advances as further explained in note 42.1 to these financial statements.

5.4 Income taxes

In making estimates for current income taxes payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability. Regarding provision for deferred taxes, estimates of the Bank's future taxable profits and expected reversal of deductible temporary differences are taken into account.

5.5 Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization, management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors."

Further, the Bank estimates the revalued amount of leasehold land on a regular basis. The estimates are based on valuations carried out by independent professional valuer under the current market conditions.

5.6 Defined benefit plan

The liability of the defined benefit plan (gratuity) is determined using actuarial advice using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets and future salary increases, which have been disclosed in note 35.1. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Changes in these assumptions in future years may affect the liability / asset under the plan in those years. The latest actuarial valuation was carried out on December 31, 2020.

5.7 Valuation of Right-of-Use assets and lease liability

5.7.1 Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

5.7.2 Determination of the lease term for lease contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain that termination option will not be exercised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

5.8 Non-banking assets acquired in satisfaction of claims

The Bank estimates the revalued amounts of non-banking assets acquired in satisfaction of claims on a regular basis. The estimates are based on expected legal enforceability, ease of realization and valuations carried out by an independent valuation expert under the market conditions.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except the change explained in note 3.5, which had no material impact on these financial statements.

6.1 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances with treasury and other banks that are highly liquid and readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

6.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

a) Sale under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position and are measured in accordance with accounting policies for investment and counterparty liability is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the term of the repo agreement.

b) Purchase under resale agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the statement of financial position, instead amounts paid under these agreements are included in lending's to financial institutions. The difference between purchase and resale price is treated as mark-up/return/interest income and accrued over the term of the reverse repo agreement.

c) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up / interest income on such lending is recorded on time proportion basis using effective interest rate method except mark-up on impaired / delinquent lendings, which are recognized on receipt basis.

d) Other borrowings

Other borrowings including borrowings from SBP are recorded at proceeds received. Mark-up expense on such borrowings is charged to the profit and loss account on time proportion basis using effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

6.3 Investments

6.3.1 Classification

The Bank classifies its investments as follows:

6.3.1.1 Held-for-trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

6.3.1.2 Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

In Bai Muajjal, the Bank sells Sukuk on credit to Government of Pakistan. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

6.3.1.3 Available-for-sale

These are investments that do not fall under the "held for trading" or "held to maturity" categories.

6.3.1.4 Associates

Investments in associated companies are stated at cost. Provision is made for impairment in value, if any.

6.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the timeframe established by regulation or market convention are recognized at trade date, which is the date at which the Bank commits to purchase or sell the investments.

6.3.3 Initial measurement

Investments other than those categorized as "held for trading" are initially recognized at fair value, which includes transaction costs associated with investments. Investments classified as "held for trading" are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

6.3.4 Subsequent measurement

6.3.4.1 Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

6.3.4.2 Held-to-maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

6.3.4.3 Available-for-sale

Quoted-securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

Unquoted equity securities are valued at the lower of cost or break-up value. A decline in the carrying value is charged to the profit and loss account. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

6.3.5 Impairment

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. Impairment is recognized when there is an objective evidence of significant or prolonged decline in the value of such securities. Provision for impairment against debt securities is made as per the aging criteria prescribed by the Prudential Regulations of SBP.

6.4 Advances

6.4.1 Advances (including Islamic financings) are stated net of specific and general provisions. Specific and general provision against advances is determined on the basis of Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Advances are written-off when there are no realistic prospects of recovery.

Receivables against lease finance where Bank is a lessor (other than Ijarah)

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments including any guaranteed residual value.

6.4.2 Murabaha

Funds disbursed for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of Murabaha, i.e. sale of goods to customers, Murabaha financings are recorded at the deferred sale price net of profit. Goods that have been purchased but remained unsold are recorded as inventories. Profit is recorded at the time of sale of goods under Murabaha as deferred income and is included in the amount of Murabaha financings. Profit is taken to the profit and loss account over the period of the Murabaha.

6.4.3 Ijarah financings

Ijarah financings executed on or before December 31, 2008 have been accounted for under finance method, thereafter all Ijarah financings are accounted for under IFAS 2.

- (a) Under Finance method, the present value of minimum Ijarah payments have been recognized and shown under financings. The unearned income, i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on a receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir (lessee).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

- (b) Under IFAS 2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment losses, if any, and are shown under financing. Rentals accrued from Ijarah financings net of depreciation charged are taken to profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to Mustajir up to the date of maturity / termination of Ijarah agreement.

6.4.4 Diminishing Musharakah

Diminishing Musharakah represents an asset in joint ownership, whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank). Profit on Diminishing Musharakah financing is recognized on accrual basis.

6.4.5 Salam

Salam is a sale transaction where the seller undertakes to supply some specific goods / commodities to the buyer at a future date against an advance price fully paid on spot. In Salam Bank financing, the Bank purchases some specific goods / commodities from its customers to be delivered within an agreed time. The goods are then sold and the amount hence financed is received back by the Bank.

6.4.6 Istisna

In Istisna financing, the Bank places an order to client (seller/manufacturer) to manufacture and deliver specific goods/commodities at an agreed price. The goods are then sold and the amount hence financed is received back to the Bank.

6.4.7 Inventories

The Bank values its inventories at the lower of cost or net realizable value. Cost of inventories represents the actual purchase made by the Bank / customers as an agent on behalf of the Bank for subsequent sale. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

6.4.8 Provision against advances

Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulation. The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value of collaterals in determining the amount of provision.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant / Prudential Regulations and SBP directives.

Owing to the impact of Covid - 19 on economic activity, several business segments of economy were impacted by the pandemic. Therefore, certain borrowers of the Bank have availed the SBP enabled deferment / restructuring and rescheduling. However, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Hence, the management estimates that it is appropriate to maintain an additional general provision on the funded advances at the rate of 2.50% excluding:

- (a) Government Sector Advances;
- (b) Non-Performing loans; and
- (c) Consumer and Small Enterprises.

Management also provided for an additional 1.70% general provision on Consumer and Small Enterprises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

These provisions are based on management's best estimate; resulting in recognition of an additional provision of Rs. 1,135 million in the profit and loss account of the current year.

Advances are written-off when there are no realistic prospects of recovery.

6.5 Operating fixed assets and depreciation

6.5.1 Capital-work-in progress

Capital-work-in progress is stated at cost less accumulated impairment losses, if any. These are transferred to operating fixed assets as and when the assets are available for use.

6.5.2 Tangible fixed assets

Property and equipment, except land, which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of fixed assets. Leasehold land is carried at revalued amount while freehold land carried at cost less accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account when incurred.

Depreciation on fixed assets is charged to income over the useful life of the asset on a systematic basis by using the straight line method at the rates stated in note 12.3. Depreciation charge commences from the month when the asset is available for use and continues till the month the asset is discontinued either through disposal or retirement.

Revaluation of leasehold land is carried out with sufficient regularity to ensure that the carrying amount of the land does not differ materially from the fair value. Any revaluation increase in the carrying amount of land is recognized in other comprehensive income and presented as a separate component of equity as "revaluation surplus on fixed assets", except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognized in profit and loss account, in which case the increase is first recognized in profit and loss account to the extent of the decrease previously charged. Any decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset. All other decreases are charged to profit and loss account. The revaluation reserve is not available for distribution to the Bank's shareholders.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal of fixed assets are included in the profit and loss account, except that the related surplus on revaluation of fixed assets (net of deferred tax) is directly transferred to un-appropriated profit.

6.5.3 Intangible assets

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are being amortized using the straight-line method over their useful lives as stated in note 13.2. Amortization is charged from the month of acquisition and up to the month of deletion. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date. Costs associated with maintaining computer software are recognized as an expense when incurred.

6.6 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 12 fixed assets and are subject to impairment in line with the Bank's policy as described in note 6.8 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

6.7 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' in surplus / deficit on revaluation of asset account and any deficit arising on revaluation is taken to profit and loss account directly as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the profit and loss account up to the extent of impairment and thereafter credited to surplus on revaluation of that asset account. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalized.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Bank's owned fixed assets.

If the recognition of such assets results in a reduction of non-performing loan, such reductions and the corresponding reductions in the provisions held against non-performing loans are disclosed separately.

These assets are generally intended for sale. Gain and loss realized on sale of such assets are disclosed separately from gains or losses realized on the sale of fixed assets. Surplus on revaluation, net of deferred tax, realized on disposal of these assets is transferred directly to the unappropriated profit. If such an asset is subsequently used by the Bank for its own operations, the asset is transferred to fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

6.8 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax asset, are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.9 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

6.9.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for the current year also includes adjustments, where considered necessary relating to prior years, arising from assessments finalized during the year for such years.

6.9.2 Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the periods when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax, if any, on revaluation of fixed asset and investments is recognized as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 "Income Taxes".

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

6.10 Employee benefits

6.10.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees. Contributions are made to the fund by the Bank in accordance with the rules of the scheme. Employees are entitled to the benefits under the scheme which comprises of one last drawn basic salary for each completed year of service. Contributions to the fund are made on the basis of actuarial recommendations. Actuarial valuation was carried out on December 31, 2020 using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Previously, the Bank's policy was to pay gratuity equal to two months basic pay for each completed year of service which has now been revised. Effective January 01, 2019, the gratuity equal to one month basic pay for each completed year shall be payable to permanent employees on retirement or discharge by the Bank or if he / she leaves the Bank's service voluntarily, other than those dismissed for misconduct. The Board of Directors of the Bank approved that gratuity at the rate of two months basic pay shall be paid upto the year ended December 31, 2018 and the new policy is applicable from January 01, 2019 onwards.

6.10.2 Defined contribution plan

The Bank operates a recognized contributory provident fund covering all its permanent employees. Equal monthly contributions are made by the Bank and the employees to the fund at a rate of 8.33% (2019: 8.33%) of basic salary.

6.11 Financial instruments

6.11.1 Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.11.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.12 Revenue recognition

(a) Income on Murabaha is accounted for on culmination of Murabaha transaction and is recognized as revenue on a time proportionate basis. Unearned profit is accounted for by crediting deferred Murabaha income, which is recorded as a liability.

(b) Interest / return / mark-up on regular loans / advances (other than Murabaha) and debt securities investments is recognized on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

(c) Interest / return / mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(d) For Ijarah contracts written up to December 31, 2008, the Bank follows finance method in recognizing income. Under this method the unearned finance income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility, is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir.

(e) Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognized as income on accrual basis as and when the rentals become due. Income is recognized net of depreciation charged in the profit and loss account.

(f) Dividend income is recognized when the Bank's right to receive the dividend is established.

(g) Fee, commission, liquidated damages etc. are recorded on accrual basis when the service has been provided. Fees and commission which in substance amount to an additional interest charge, are recognized over the life of the underlying transaction on a level yield basis.

(h) Gain / loss on sale of investments is credited / charged to profit and loss account.

(i) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

6.13 Foreign currencies

a) Foreign currency transactions and balances

Transactions in foreign currencies are translated into Pakistani Rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing on the reporting date. Foreign bills purchased and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

b) Translation gains and losses

Translation gains and losses are included in profit and loss account.

c) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in the financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing on the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

6.14 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

6.14.1 Business segments

The Bank comprises of following main business segments:

a) Corporate finance

This includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (Government, high yield), equity, syndication, IPO and secondary private placements.

b) Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

c) Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking services and retail offered to its retail customers.

d) Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits.

6.14.2 Geographical segments

The Bank conducts all its operations in Pakistan.

6.15 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation arising as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

6.16 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.

b) Borrowings / deposits cost are recognized as expense in the period in which these are incurred using effective mark-up / interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

6.17 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.18 Earnings per share

The Bank presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

6.19 Dividends and appropriations to reserves

Dividend and appropriation to reserves, except appropriations which are required under the law, after the reporting date, are recognized in the Bank's financial statements in the year in which these are approved.

6.20 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in statement of financial position.

6.21 Statutory reserve

Every Bank incorporated in Pakistan is required to transfer 20% of their profit after taxation to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit after taxation of the Bank is to be transferred to this reserve.

6.22 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

7	CASH AND BALANCES WITH TREASURY BANKS	Note	2020 Rupees in '000	2019
	In hand:			
	Local currency		3,736,533	2,157,981
	Foreign currency		331,742	356,957
			4,068,275	2,514,938
	With State Bank of Pakistan in:			
	Local currency current account	7.1	10,940,891	5,894,936
	Foreign currency current account	7.2	23,896	42,353
	Foreign currency deposit account	7.3	84,792	90,458
			11,049,579	6,027,747
	With National Bank of Pakistan in:			
	Local currency current account		676,909	571,912
	Local currency deposit account		311	3,002,591
	Foreign currency deposit account		1,230	13,385
			678,450	3,587,888
	Prize bonds		44,055	7,232
			15,840,359	12,137,805

- 7.1** The current accounts are maintained under the requirements of section 22 of the Banking Companies Ordinance, 1962 as amended from time to time.
- 7.2** This represents mandatory cash reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.3** This represents accounts maintained for mandatory cash reserve requirements with the SBP. These accounts carry mark up rate of Nil (2019: 0.70 %) per annum.

8	BALANCES WITH OTHER BANKS	Note	2020 Rupees in '000	2019
	In Pakistan:			
	In current account		1,963,147	2,427,921
	In deposit account	8.1	1,327,882	4,683,413
			3,291,029	7,111,334
	Outside Pakistan:			
	In current account		5,811,354	935,782
	In deposit account	8.2	-	192,984
			5,811,354	1,128,766
	Provision for doubtful placement with the bank	8.3	(10,028)	(10,028)
			9,092,355	8,230,072

- 8.1** These represent short-term deposits with banks at mark-up rates ranging from 2.00% to 8.00% (2019: 2.00% to 13.75%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

8.2 These represented placements of funds with banks outside Pakistan, which were generated through the foreign currency deposit scheme (FE-25). These placements carried no mark-up.

		2020	2019
		Rupees in '000	
8.3	Particulars of provision for doubtful placement with a bank		
	Opening balance	(10,028)	(10,028)
	Charge for the year	-	-
	Reversals	-	-
		-	-
	Closing balance	(10,028)	(10,028)

		2020	2019
		Rupees in '000	
9	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lendings	-	-
	Repurchase agreement lendings (Reverse Repo)	9.2 7,297,519	9,032,102
	Bai Muajjal receivable with State Bank of Pakistan	9.3 -	2,831,347
	Placements with financial institutions	238,944	2,238,944
		7,536,463	14,102,393
	Less: provision held against lendings to financial institutions	9.4 (238,944)	(238,944)
	Lendings to financial institutions - net of provision	7,297,519	13,863,449
9.1	Particulars of lendings		
	In local currency	7,297,519	13,863,449
	In foreign currencies	-	-
	Total	7,297,519	13,863,449

9.2 These are secured against government securities carrying mark-up rate ranging from 7.00% to 7.90% (2019: 13.20% to 13.75%) per annum with maturities up to January 04, 2021.

9.3 This carried profit at the rate of Nil (2019: 10.40%) per annum.

		2020	2019
		Rupees in '000	
9.4	Particulars of provision against lendings to financial institutions		
	Opening balance	(238,944)	(238,944)
	Charge for the year	-	-
	Reversals	-	-
		-	-
	Closing balance	(238,944)	(238,944)

		2020			2019		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		Rupees in '000					
9.5	Securities held as collateral against lending to financial institutions						
	Market Treasury Bills	952,519	-	952,519	1,823,670	4,450,905	6,274,575
	Pakistan Investment Bonds	6,345,000	-	6,345,000	2,757,527	-	2,757,527
	Total	7,297,519	-	7,297,519	4,581,197	4,450,905	9,032,102

Market value of securities held as collateral as at December 31, 2020 amounted to Rs. 7,719.38 million (2019: Rs. 9,013.30 million). These carry mark-up at the rate of 7.00% per annum (2019: 13.20% to 13.75% per annum) with maturities up to January 04, 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

9.6	Category of classification	2020			2019		
		Classified lending	Provision held	Rupees in '000	Classified lending	Provision held	
	Domestic:						
	Other assets especially mentioned	-	-	-	-	-	-
	Substandard	-	-	-	-	-	-
	Doubtful	-	-	-	-	-	-
	Loss	238,944	238,944	238,944	238,944	238,944	238,944
		238,944	238,944	238,944	238,944	238,944	238,944
	Overseas						
	Not past due but impaired	-	-	-	-	-	-
	Overdue by:						
	Upto 90 days	-	-	-	-	-	-
	91 to 180 days	-	-	-	-	-	-
	181 to 365 days	-	-	-	-	-	-
	365 days	-	-	-	-	-	-
		-	-	-	-	-	-
	Total	238,944	238,944	238,944	238,944	238,944	238,944

10	INVESTMENTS	2020				2019			
		Cost / amortized cost	Provision for diminution	Surplus	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
10.1	Investments by type:				Rupees in '000				
	Held-for-trading securities								
	Federal Government Securities	815,450	-	934	816,384	-	-	-	-
	Shares	-	-	-	-	17,318	-	(1,819)	15,499
	Mutual Funds	450,590	-	929	451,519	-	-	-	-
		1,266,040	-	1,863	1,267,903	17,318	-	(1,819)	15,499
	Available-for-sale securities								
	Federal Government Securities	87,750,166	-	424,475	88,174,641	125,258,844	-	(2,478,772)	122,780,072
	Shares	873,934	(566,126)	81,210	389,018	784,753	(566,126)	92,686	311,313
	Non-Government Debt Securities	7,793,193	(175,999)	5,272	7,622,466	5,854,484	(175,999)	(6,000)	5,672,485
		96,417,293	(742,125)	510,957	96,186,125	131,898,081	(742,125)	(2,392,086)	128,763,870
	Held-to-maturity securities								
	Federal Government Securities	15,984,462	-	-	15,984,462	18,091,229	-	-	18,091,229
		15,984,462	-	-	15,984,462	18,091,229	-	-	18,091,229
	Associate	40,504	-	-	40,504	40,504	-	-	40,504
	Total	113,708,299	(742,125)	512,820	113,478,994	150,047,132	(742,125)	(2,393,905)	146,911,102

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

10.1.1 Market Treasury Bills and Pakistan Investment Bonds are eligible for re-discounting with SBP.

10.2 Investment in associate - unlisted shares

	Year ended	Number of shares	Percentage of holding	Cost Rupees in '000
Taurus Securities Limited - incorporated in Pakistan	2020	4,050,374	30%	40,504
Taurus Securities Limited - incorporated in Pakistan	2019	4,050,374	30%	40,504

10.3 Summary of financial information of associate

	Assets	Liabilities	Equity	Revenue	Net profit	Total Comprehensive loss
Based on the financial statements - December 31, 2019	618,688	321,846	296,842	91,035	596	(3,208)

2020

2019

	Cost/ amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
Investments by segments								
Federal Government Securities:								
Market Treasury Bills	28,879,146	-	24,772	28,903,918	69,253,781	-	17,684	69,271,465
Pakistan Investment Bonds	62,096,488	-	410,280	62,506,768	66,207,581	-	(2,481,456)	63,726,125
Ijarah Sukuks	13,574,444	-	(9,643)	13,564,801	7,888,711	-	(15,000)	7,873,711
	104,550,078	-	425,409	104,975,487	143,350,073	-	(2,478,772)	140,871,301
Shares / mutual funds:								
Listed Companies	526,453	(274,902)	81,210	332,761	464,077	(284,390)	90,867	270,554
Unlisted Companies	347,481	(291,224)	-	56,257	337,994	(281,736)	-	56,258
Mutual Funds	450,590	-	929	451,519	-	-	-	-
	1,324,524	(566,126)	82,139	840,537	802,071	(566,126)	90,867	326,812
Non-Government Debt Securities								
Listed	3,951,361	(38,505)	5,272	3,918,128	1,420,505	(38,505)	(6,000)	1,376,000
Unlisted	3,841,832	(137,494)	-	3,704,338	4,433,979	(137,494)	-	4,296,485
	7,793,193	(175,999)	5,272	7,622,466	5,854,484	(175,999)	(6,000)	5,672,485
Associate								
Taurus Securities Limited	40,504	-	-	40,504	40,504	-	-	40,504
Total Investments	113,708,299	(742,125)	512,820	113,478,994	150,047,132	(742,125)	(2,393,905)	146,911,102

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

10.4.1 Ijarah Sukuks includes Bai-Muajjal Sukuks with Government of Pakistan amounting to Rs.6,388.711 million (2019: Rs.6,388.711 million) carrying profit at the rate ranging from 13.11% to 13.44% (2019: 13.11% to 13.44%).

10.5	Investments given as collateral (as disclosed in note 17.5 and 17.6)	Note	2020 Rupees in '000	2019
	Market Treasury Bills		14,586,712	54,309,323
	Pakistan Investment Bonds		33,084,072	29,191,565
		10.5.1	47,670,784	83,500,888

10.5.1 This represents market values of securities at year end.

10.6	Provision for diminution in value of investments	Note	2020 Rupees in '000	2019
	Opening balance		742,125	842,005
	Charge / reversals			
	Charge for the year		-	-
	Reversals for the year	30	-	(99,880)
	Reversal on disposals		-	-
			-	(99,880)
	Closing balance	10.7	742,125	742,125

10.7 This includes impairment reversal of Rs. Nil (2019: Rs. 99.88 million) in respect of available-for-sale debt securities.

10.8 Particulars of provision against debt securities

Category of classification	2020		2019	
	NPI	Provision	NPI	Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	175,999	175,999	175,999	175,999
	175,999	175,999	175,999	175,999
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	175,999	175,999	175,999	175,999

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

10.9	Principal terms of investments in Federal Government securities	Yield / return per annum	Maturity	Redemption	Coupon
	Market Treasury Bills	6.52% to 13.13%	January 14, 2021 to July 15, 2021	On maturity	At maturity
	Pakistan Investment Bonds	7.11% to 12.50%	April 21, 2021 to August 09, 2028	On maturity	Half yearly
	Government of Pakistan Sukuk	5.95% to 13.44%	February 14, 2022 to December 09, 2025	On maturity	Half yearly

Federal government securities other than those offered as collateral, are held by the Bank to meet Statutory Liquidity Requirements (SLR) of the SBP calculated on the basis of time and demand liabilities.

10.9.1 Details of investment in preference shares - unlisted

Name of company	Percentage of holding	No. of shares	Paid-up value per share	Total paid-up value	Total cost as on December 31, 2020
Rupees in '000					
Saudi Pak Leasing Company Limited	37%	19,500,000	10	195,000	195,000

10.9.2 This represents 2.5% non-cumulative, non-voting and non-redeemable preference shares convertible at any time from the date of issue. The Bank has received these preference shares against the settlement of a debt.

	2020	2019
10.9.3 Quality of available for sale securities	Cost	
	Rupees in '000	
Federal Government securities - Government guaranteed		
Market treasury bills	28,879,146	69,253,781
Pakistan investment bonds	45,296,576	48,116,352
Ijarah sukuks	13,574,444	7,888,711
	87,750,166	125,258,844
Non Government debt securities - listed		
Categorised based on long term rating by credit rating agency		
- AA+, AA, AA-	1,687,856	1,257,000
- A+, A, A-	225,000	125,000
- Unrated	2,038,505	38,505
	3,951,361	1,420,505
Non Government debt securities - unlisted		
Categorised based on long term rating by credit rating agency		
- AAA	2,786,429	3,322,857
- AA+, AA, AA-	368,000	568,031
- A+, A, A-	549,909	405,597
- Unrated	137,494	137,494
	3,841,832	4,433,979

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

10.9.4 Information relating to investment in ordinary shares of listed and unlisted companies is disclosed in Annexure III to these financial statements.

10.9.5 Particulars relating to held to maturity securities are as follows:	2020		2019	
	Cost		Rupees in '000	
Federal Government Securities - Government guaranteed				
Pakistan Investment Bonds	15,984,462		18,091,229	

10.9.6 The year end market value of securities classified as held-to-maturity amounted to Rs. 16,039 million (2019: Rs. 17,036 million)

11 ADVANCES	Performing		Non performing		Total	
	2020	2019	2020	2019	2020	2019
			Rupees in '000			
Loans, cash credits, running finances, etc	77,881,509	63,059,355	6,232,468	4,546,955	84,113,977	67,606,310
Islamic financing and related assets	48,208,466	45,669,716	823,842	260,133	49,032,308	45,929,849
Bills discounted and purchased	1,541,327	220,363	219,630	219,630	1,760,957	439,993
Advances - gross	127,631,302	108,949,434	7,275,940	5,026,718	134,907,242	113,976,152
Provision against advances						
- Specific	-	-	4,662,740	4,190,185	4,662,740	4,190,185
- General	1,181,125	43,675	-	-	1,181,125	43,675
	1,181,125	43,675	4,662,740	4,190,185	5,843,865	4,233,860
Advances - net of provision	126,450,177	108,905,759	2,613,200	836,533	129,063,377	109,742,292

11.1 Particulars of advances (gross)	2020		2019	
	Rupees in '000		Rupees in '000	
In local currency	134,907,242		113,976,152	
In foreign currency	-		-	
	134,907,242		113,976,152	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

11.2 Advances include Rs. 7,275,940 million (2019: Rs. 5,026,718 million) which have been placed under non-performing status as detailed below:

Category of classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Rupees in '000				
Domestic:				
Other assets especially mentioned	45,232	68	31,358	-
Standard	352,950	9,975	96,415	3,676
Doubtful	1,615,105	225,044	220,469	22,501
Loss	5,262,653	4,427,653	4,678,476	4,164,008
	7,275,940	4,662,740	5,026,718	4,190,185
Rupees in '000				
Overseas:				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	7,275,940	4,662,740	5,026,718	4,190,185

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

11.3 Particulars of provision against advances	2020			2019		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	4,190,185	43,675	4,233,860	4,119,221	35,851	4,155,072
Charge for the year (refer to note 42.1)	567,889	1,139,838	1,707,727	404,232	7,824	412,056
Reversals	(95,334)	(2,388)	(97,722)	(333,268)	-	(333,268)
Amounts written off	472,555	1,137,450	1,610,005	70,964	7,824	78,788
	-	-	-	-	-	-
Closing balance	4,662,740	1,181,125	5,843,865	4,190,185	43,675	4,233,860
	Rupees in '000					
11.4 Particulars of provision against advances	2020			2019		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	4,662,740	1,181,125	5,843,865	4,190,185	43,675	4,233,860
In foreign currencies	-	-	-	-	-	-
	4,662,740	1,181,125	5,843,865	4,190,185	43,675	4,233,860

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
11.5	PARTICULARS OF WRITE OFFS:	Rupees in '000	
	Against Provisions	-	-
	Directly charged to Profit & Loss account	-	-
		-	-
11.5.1	Write Offs of Rs. 500,000 and above		
	- Domestic	-	-
	- Overseas	-	-
	Write Offs of Below Rs. 500,000	-	-
		-	-

DETAILS OF LOAN WRITE OFF OF RS. 500,000/- AND ABOVE

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, a statement in respect of written off loans or financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2020 is given in Annexure 'I'.

- 11.6** State Bank of Pakistan through BSD Circular No.1 dated October 21, 2011 has allowed benefit of the forced sales value (FSV) of plant & machinery under charge, pledged stocks & mortgaged residential, commercial and industrial properties (land and building only) held as collateral against Non-Performing Loans (NPLs) for a maximum period of five years from the date of classification. As at December 31, 2020 the Bank has availed cumulative benefit of forced sale values of Rs.1,429.839 million (2019: Rs. 572.478 million). Increase in unappropriated profit net of tax amounting to Rs. 929.395 million (2019: Rs. 372.11 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

			2020	2019
12	FIXED ASSETS	Note	Rupees in '000	
	Capital work-in-progress	12.1	928,839	503,430
	Property and equipment	12.3	1,665,483	1,759,294
	Right-of-use assets	12.8	877,703	1,071,946
			3,472,025	3,334,670
12.1	Capital work-in-progress			
	Civil works		775,138	389,264
	Equipments		63,349	8,080
	Advances to suppliers		90,352	106,086
			928,839	503,430
12.2	Movement in capital work-in-progress			
	Opening balance		503,430	291,647
	Additions		580,930	225,462
	Transfers		(155,521)	(13,679)
	Closing balance	12.2.1	928,839	503,430

- 12.2.1** This also includes expenditure incurred on new head office building, which is under-construction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

12.3 Property and equipment

	Freehold land	Leasehold land	Building on freehold land	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Leasehold improvements	Books	Total
	2020								
	Rupees '000								
At January 01, 2020									
Cost / Revalued amount	58,000	891,441	288,567	260,289	1,066,522	25,189	835,599	825	3,426,432
Accumulated depreciation	-	-	112,778	164,498	793,279	20,895	574,978	710	1,667,138
Net book value	58,000	891,441	175,789	95,791	273,243	4,294	260,621	115	1,759,294
Year ended December 31, 2020									
Opening net book value	58,000	891,441	175,789	95,791	273,243	4,294	260,621	115	1,759,294
Additions	-	-	-	10,458	65,351	4,216	92,013	35	172,073
Revaluation surplus	-	11,919	-	-	-	-	-	-	11,919
Disposals	-	-	-	224	-	-	49	-	273
Depreciation charge	-	-	28,660	24,788	116,755	1,737	105,552	38	277,530
Closing net book value	58,000	903,360	147,129	81,237	221,839	6,773	247,033	112	1,665,483
At December 31, 2020									
Cost / Revalued amount	58,000	903,360	288,567	269,563	1,131,163	29,405	927,491	860	3,608,409
Accumulated depreciation	-	-	141,438	188,326	909,324	22,632	680,458	748	1,942,926
Net book value	58,000	903,360	147,129	81,237	221,839	6,773	247,033	112	1,665,483
Rate of depreciation (percentage)			10%	10% - 20%	10%- 33.33%	20%	10% - 20%	10% - 20%	
					2019				
	Free hold land	Lease hold land	Building on free hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold improvements	Books	Total
At January 1, 2019									
Cost / Revalued amount	58,000	891,441	288,567	251,601	980,253	25,068	790,655	786	3,286,371
Accumulated depreciation	-	-	84,118	140,145	655,460	18,289	462,906	678	1,361,596
Net book value	58,000	891,441	204,449	111,456	324,793	6,779	327,749	108	1,924,775
Year ended December 31, 2019									
Opening net book value	58,000	891,441	204,449	111,456	324,793	6,779	327,749	108	1,924,775
Additions	-	-	-	10,264	96,641	121	44,947	39	152,012
Disposals	-	-	-	87	73	-	-	-	160
Depreciation charge	-	-	28,660	25,842	148,118	2,606	112,075	32	317,333
Closing net book value	58,000	891,441	175,789	95,791	273,243	4,294	260,621	115	1,759,294
At December 31, 2019									
Cost / Revalued amount	58,000	891,441	288,567	260,289	1,066,522	25,189	835,599	825	3,426,432
Accumulated depreciation	-	-	112,778	164,498	793,279	20,895	574,978	710	1,667,138
Net book value	58,000	891,441	175,789	95,791	273,243	4,294	260,621	115	1,759,294
Rate of depreciation (percentage)			10%	10% - 20%	10% - 33.33%	20%	10% - 20%	10% - 20%	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

12.4 The leasehold land of the Bank has been revalued as at December 31, 2020 by M/s Amir Evaluators and Consultants, an independent valuer. The revaluation was carried out on the basis of professional assessment of market value that resulted in surplus shown in note 21. The total revaluation surplus on land aggregating to Rs. 786.102 million (2019: Rs 774.183 million) has been included in the carrying value of leasehold land. Had the leasehold land not been revalued, the total carrying amount of the leasehold land as at December 31, 2020 would have been Rs. 117.258 million (2019: Rs 117.258 million). The forced sale value of the leasehold land assessed as Rs. 767.856 million (2019: Rs. 802.293 million).

12.5 Particulars of land are as follows:

S. No	Location	Nature	Area (sq. feet)
1	The Mall, Peshawar Cantt. Peshawar	Leasehold land	20,497
2	Faysal Town, Lahore	Freehold land with multi story building	20,398
3	Phase V, Hayatabad, Peshawar	Freehold land with multi story building	10,880

12.6 Details of disposals of fixed assets

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	(Loss) / gain on disposal	Mode of disposal	Particular of purchasers
Rupees in '000							
Furniture and fixture	1,184	960	224	136	(88)	Auction	Ahsan Muzammil
Office equipment	710	710	-	4	4	Auction	Hijrat Khan
Leasehold improvement	121	72	49	16	(33)	Auction	Sher Rehman
2020	2,015	1,742	273	156	(117)		
2019	11,951	11,791	160	666	506		

12.7 The gross carrying amount (cost) of fully depreciated assets, that are still in use are as follows:

	2020	2019
Rupees in '000		
Building on free hold land	1,964	1,964
Furniture and fixture	90,718	62,603
Office equipment	530,210	517,831
Vehicles	19,000	18,742
Library books	652	649
Leasehold improvement	393,410	299,296
	1,035,954	901,085

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
		Rupees in '000	
12.8	Right of use assets:		
	Movement in right-of-use assets is as follows:		
	Opening net book value	1,071,946	-
	Effect of initial application of IFRS 16	-	1,410,383
	- Additions	181,397	6,890
	- Termination of lease	(39,407)	(15,946)
	- Depreciation charge	(336,233)	(329,381)
	Closing net book value	877,703	1,071,946
12.9	Lease obligation against right-of-use assets:		
	Movement in lease obligation against right-of-use assets is as follows:		
	Opening net book value	1,090,747	-
	Effect of initial application of IFRS 16	-	1,297,776
	- Additions	169,478	6,890
	- Termination of lease	(43,582)	(14,477)
	- Interest	129,610	151,587
	- Payment	(389,256)	(351,029)
	Closing net book value	956,997	1,090,747

The Bank has lease contracts for real estate that are used in its operations including Branches, Head office and other offices. Leases generally have lease terms between 1.5 years to 5 years. The Bank's obligations correspond to the lessor's title to the leased assets. Generally, the Bank is restricted from assigning and subleasing the leased assets. The leased obligations have been discounted at rates ranging between 6.80% to 9.46% (2019: 10.17% to 13.40%); being the relevant incremental borrowing rate of the Bank.

		2020	2019
		Rupees in '000	
13	INTANGIBLE ASSETS		
	Capital work in progress	11,926	226,693
	Licenses and computer softwares	520,241	59,562
		532,167	286,255
13.1	Movement in capital work-in-progress		
	Opening balance	226,693	8,299
	Transfer in	254,586	226,693
	Transfer out	(469,353)	(8,299)
	Write off	-	-
	Closing balance	11,926	226,693

- 13.1.1** Upon core banking system and license for Temenos (T-24) becoming available for use, the cost amounting to Rs. 225.622 million and Rs. 243.731 million have been transferred to Licenses and Computer software, respectively. This includes an amount of Rs. 91.175 million (2019: Rs.18.424 million) in respect of payroll cost of employees working on implementation of T-24.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

13.2	Licenses and computer softwares	Licenses	Computer software	Total
		Rupees in '000		
	At January 01, 2020			
	Cost	76,763	153,989	230,752
	Accumulated amortization and impairment	60,642	110,548	171,190
	Net book value	16,121	43,441	59,562
	Year ended December 31, 2020			
	Opening net book value	16,121	43,441	59,562
	Purchases / transfer	247,160	255,991	503,151
	Amortization charge	12,226	30,246	42,472
	Closing net book value	251,055	269,186	520,241
	At December 31, 2020			
	Cost	323,923	409,980	733,903
	Accumulated amortization and impairment	72,868	140,794	213,662
	Net book value	251,055	269,186	520,241
	Rate of amortization (percentage)	10.30% - 33.33%		
	Useful life - years	3 - 9.7		
	Remaining amortization years	0 - 9.42		
	At January 01, 2019			
	Cost	59,393	138,898	198,291
	Accumulated amortization and impairment	46,355	81,385	127,740
	Net book value	13,038	57,513	70,551
	Year ended December 31, 2019			
	Opening net book value	13,038	57,513	70,551
	Purchases	17,370	15,091	32,461
	Amortization charge	14,287	29,163	43,450
	Closing net book value	16,121	43,441	59,562
	At December 31, 2019			
	Cost	76,763	153,989	230,752
	Accumulated amortization and impairment	60,642	110,548	171,190
	Net book value	16,121	43,441	59,562
	Rate of amortization (percentage)	33.33%		
	Useful life - years	3		
	Remaining amortization years	0-3		
13.3	Particulars of assets written-off	2020	2019	
		Rupees in '000		
	Against provision	-	-	
	Directly charged to profit and loss	-	-	
		-		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

14	DEFERRED TAX ASSETS	Note	2020 Rupees in '000	2019 Rupees in '000
	Deferred tax asset arising in respect of:			
	Provision for balances with other banks		3,510	3,510
	Provision for diminution in value of investments		43,023	43,023
	Provision for other assets		14,648	3,448
	Islamic pool management reserve		52,549	47,810
	Accelerated accounting depreciation		70,980	85,276
	Deficit on revaluation of investments		-	837,233
	Provision against loans and advances - net		480,266	10,854
			664,976	1,031,154
	Deferred tax liability arising in respect of:			
	Surplus on revaluation of investments	21	(178,832)	-
	Surplus on revaluation of non-banking assets		(26,242)	-
	Deferred tax asset - net	14.1	459,902	1,031,154
14.1	Reconciliation of deferred tax			
			Rupees in '000	
		As at January 01, 2019	As at December 31, 2019	As at December 31, 2020
			Recognized in Profit and Loss account	Recognized in Other Comprehensive Income
	Provision for balances with other banks	3,510	-	-
	Provision for diminution in value of investments	78,157	(35,134)	-
	Provision for other assets	3,448	-	-
	Re-measurement of defined benefit obligations	27,586	-	(27,586)
	Islamic pool management reserve	49,899	(2,089)	-
	Accelerated accounting depreciation	50,978	34,298	-
	(Surplus) / Deficit on revaluation of investments	1,550,164	-	(712,931)
	Surplus on revaluation of non-banking assets	-	-	-
	Provision against loans and advances	(6,291)	17,145	-
	Deferred tax asset / (liability) - net	1,757,451	14,220	(740,517)
			1,031,154	459,902

14.2 The management of the Bank believes that it is highly probable that the Bank will be able to achieve the profits and consequently the deferred asset is fully realizable in future. The above assertion is based on financial projection for five years future taxable profits which is based on key assumptions that primarily include the growth of low cost deposits, growth in high yield customer advances, investment returns, branch expansion plans, potential provision against advances, interest rates, cost of funds and expected recoveries of classified advances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

15	OTHER ASSETS	Note	2020 Rupees in '000	2019
	Income/ mark-up accrued in local currency		4,343,829	5,875,454
	Profit receivable on Bai Muajjal		2,540,078	2,833,733
	Advances, deposits, advance rent and other prepayments		104,910	51,940
	Advance taxation (payments less provisions)		-	235,255
	Branch adjustment account		369,668	280,825
	Pre-IPO investment		350,000	600,000
	Stationary and stamps on hand		58,230	36,590
	Non-banking assets acquired in satisfaction of claims	15.1.1	310,329	369,339
	Mark to market gain on forward foreign exchange contracts		334,416	88,606
	Employees benefits	35.1.3	335,447	407,700
	ATM receivable - net		254,164	25,902
	Others		131,572	107,535
			9,132,643	10,912,879
	Less: Provision held against other assets	15.1.2	(144,426)	(144,426)
	Other assets - net of provision		8,988,217	10,768,453
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	21	74,976	-
	Other assets - total		9,063,193	10,768,453
15.1	Details of revaluation of non-banking assets acquired in satisfaction of claims			
	Market value of non banking assets acquired in satisfaction of claims		385,305	369,339

The Non-banking assets acquired in satisfaction of claims have been revalued on December 31, 2020 by M/s Amir Evaluators and consultants, an independent valuer. The revaluation was carried out on the basis of professional assessment of market value. The Bank has also recognized an impairment charge of Rs. 12.55 million (refer to note 28) after adjustment of excess of fair value of the asset at the date of acquisition and carrying value of claim.

15.1.1	Non-banking assets acquired in satisfaction of claims - gross of provision	Note	2020 Rupees in '000	2019
	Opening Balance		369,339	-
	Additions		-	371,800
	Revaluation	15.1	74,976	-
	Disposals		-	-
	Depreciation		(29,540)	(2,461)
	Impairment	15.1	(29,470)	-
	Closing Balance		385,305	369,339

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 Rupees in '000	2019
15.1.2 Provision held against other assets			
Advances for Pre-IPO		(100,000)	(100,000)
Others		(44,426)	(44,426)
		(144,426)	(144,426)
15.1.3 Movement in provision held against other assets			
Opening balance		(144,426)	(144,426)
Charge for the year		-	-
Reversals		-	-
Closing balance		(144,426)	(144,426)
16 BILLS PAYABLE			
In Pakistan		944,140	1,172,155
Outside Pakistan		-	-
		944,140	1,172,155
17 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan (SBP) under			
- Export refinance scheme	17.1	4,071,206	3,165,914
- Long term financing facility	17.2	2,363,683	1,531,984
- Livestock dairy		79,096	75,966
- Refinance scheme for payment of wages & salaries	17.3	269,848	-
- Refinance facility for combating Covid-19	17.4	65,850	-
		6,849,683	4,773,864
Bai Muajjal Borrowings	17.5	39,373,551	26,668,034
Repurchase agreement borrowings	17.6	6,839,784	60,714,563
Call borrowings	17.7	1,000,000	-
		47,213,335	87,382,597
Unsecured			
Call borrowings	17.8	3,000,000	2,500,000
Total		57,063,018	94,656,461

- 17.1** The Bank has entered into agreements for financing with the State Bank of Pakistan for extending export finance to customers. As per the agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of finance by directly debiting the current account maintained by the Bank with the SBP. Against these facilities, State Bank of Pakistan charges mark-up of 3% (2019: 3.00%) per annum from the Bank. Currently the Bank earns a spread ranging from 1.00% to 2.00% (2019: 1.00% to 2.00%) per annum. The borrowings are repayable within six months from the deal date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

- 17.2** These borrowings have been obtained from SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. Against these facilities, SBP charges mark-up ranging from 3% to 4.5% (2019: 3.00% to 4.5%) per annum from the Bank. Currently the Bank earns a spread ranging from 1.50% to 3.00% (2019: 1.50% to 3.00%) per annum.
- 17.3** These borrowings have been obtained from SBP under a scheme to help businesses of payment of wages and salaries to their employees during the COVID - 19 pandemic and thereby support continued employment. These borrowings are due to mature latest by September 30, 2022. SBP is charging mark-up of 2% per annum.
- 17.4** These borrowings have been obtained from the SBP to provide emergency refinance facility to hospitals & medical centres to develop capacity for the treatment of COVID-19 patients. These carry mark-up at 0.00% per annum and are due to mature latest by September 30, 2025. The maximum financing limit under the facility is Rs 200 million per hospital / medical centre with a tenor of 5 years including a grace period of up to 6 months.
- 17.5** This represents secured borrowing under Bai Muajjal carrying profit ranging from 6.25% to 7.25% (2019: 12.70% to 13.70%) per annum with maturities up to November 10, 2021 and are secured by way of government securities given as collateral as referred in note 10.5.
- 17.6** Repurchase agreement with financial institution carries interest rate of 7.06% (2019: 12.00% to 13.50%) per annum with maturities up to January 04, 2021 and are secured by way of investments given as collateral as referred in note 10.5.
- 17.7** Call borrowing from financial institution carries interest rate ranging from 6.00% to 7.80% per annum with maturities up to November 27, 2023 and are secured by way of charge over the Bank's existing mortgage loan portfolio, subject to 25% margin.
- 17.8** Call borrowing from financial institutions carries interest rate of 6.35% (2019: 5.00%) per annum with maturities up to February 21, 2021.

	2020	2019
17.9 Particulars of borrowings with respect to currencies	Rupees in '000	
In local currency	57,063,018	94,656,461
In foreign currency	-	-
	57,063,018	94,656,461

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

18 DEPOSITS AND OTHER ACCOUNTS

	2020		2019			
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	33,457,556	314,415	33,771,971	34,537,778	349,580	34,887,358
Saving deposits	87,112,806	81,919	87,194,725	69,985,691	215,904	70,201,595
Term deposits	71,942,281	83,701	72,025,982	67,682,671	-	67,682,671
Others	7,017,097	-	7,017,097	8,319,314	-	8,319,314
	199,529,740	480,035	200,009,775	180,525,454	565,484	181,090,938
Financial Institutions						
Current deposits	162,961	-	162,961	114,724	-	114,724
Saving deposits	2,898,922	-	2,898,922	961,910	-	961,910
	3,061,883	-	3,061,883	1,076,634	-	1,076,634
	202,591,623	480,035	203,071,658	181,602,088	565,484	182,167,572

	2020		2019	
	Rupees in '000		Rupees in '000	
18.1 Composition of deposits				
Individuals	48,715,192	35,118,180		
Government (Federal / Provincial)	113,802,233	113,654,808		
Public sector entities	2,111,314	4,444,771		
Banking companies	17,635	52,044		
Non-banking financial institutions	3,044,248	1,024,591		
Private sector	35,381,036	27,873,178		
	203,071,658	182,167,572		

18.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 59,677 million (2019: Rs. 55,958 million) as of December 31, 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

19	OTHER LIABILITIES	Note	2020 Rupees in '000	2019
	Mark-up / return / interest payable in local currency		3,898,706	9,374,207
	Mark-up / return / interest payable in foreign currency		392	555
	Unearned income - Bai Muajjal Sukuk		985,026	1,872,952
	Lease liability against right-of-use assets	12.9	956,997	1,090,747
	Unearned commission and income on bills discounted		60,504	68,810
	Deferred income on government schemes		15,949	33,790
	Deferred income murabaha		98,239	151,809
	Income tax payable - net		1,185,578	-
	Income reserve		8,622	14,009
	Islamic pool management reserves	19.1	150,142	136,602
	Accrued expenses		439,569	210,364
	Unclaimed dividends		28,976	29,003
	Share subscription money refund	19.2	1,091	1,091
	Retention money		21,310	25,164
	Bills payment system over the counter (BPS-OTC)	19.3	646,163	442,718
	Charity fund		10,227	21,593
	Security deposits against ijarah		294,956	345,116
	Mark to market loss on forward foreign exchange contracts		436,049	162,430
	Others		211,029	126,751
			9,449,525	14,107,711

19.1 This includes equity portion of Profit Equalization Reserve amounting to Rs. 46.698 million (2019: Rs. 42.141 million), which has been presented as reserve in Annexure-II.

19.2 Share subscriptions pertaining to disputed cases pending for decisions with Securities and Exchange Commission of Pakistan.

19.3 This represents amounts collected on behalf of government entities. Subsequent to reporting date, these amounts have been deposited into designated bank accounts of these government entities.

20 SHARE CAPITAL

20.1 Authorized capital

2020	2019		2020	2019
Number of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each.	15,000,000	15,000,000

20.2 Issued, subscribed and paid up

2020	2019		2020	2019
Number of shares			Rupees in '000	
		Ordinary shares of Rs. 10 each		
722,698,448	722,698,448	Fully paid in cash	7,226,984	7,226,984
277,554,037	277,554,037	Issued as fully paid bonus shares	2,775,540	2,775,540
1,000,252,485	1,000,252,485		10,002,524	10,002,524

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

20.3 The Bank has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 702,208,233 (2019: 702,208,233) and 244,339,031 (2019: 244,339,031) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.

		2020	2019
21	SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS	Rupees in '000	
	Surplus / (Deficit) on revaluation of:		
	- Available for sale (AFS) securities	510,957	(2,392,086)
	- Deferred tax on AFS securities	(178,832)	837,233
		332,125	(1,554,853)
	- Fixed assets	786,102	774,183
	- Non banking assets	74,976	-
	- Deferred tax on non-banking assets	(26,242)	-
		48,734	-
		1,166,961	(780,670)
22	CONTINGENCIES AND COMMITMENTS		
	- Guarantees	16,312,941	15,054,505
	- Commitments	44,403,735	36,682,215
		60,716,676	51,736,720
22.1	Guarantees:		
	Financial guarantees	1,454,556	2,030,105
	Performance guarantees	14,163,233	12,820,129
	Other guarantees	695,152	204,271
		16,312,941	15,054,505
22.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- Letters of credit	5,222,843	6,920,481
	Commitments in respect of:		
	- Forward government securities transactions	-	10,000,000
	- Forward foreign exchange contracts	38,772,750	19,026,323
	Commitments for acquisition of:		
	- Operating fixed assets	241,912	416,496
	- Intangible assets	166,230	318,915
		44,403,735	36,682,215
22.3	Commitments in respect of forward government securities transactions		
	Forward purchase - Pakistan Investment Bonds (PIBs)	-	10,000,000
		-	10,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
22.4 Commitments in respect of forward foreign exchange contracts	Rupees in '000	
Purchase	16,291,144	9,069,099
Sale	22,481,606	9,957,224
	38,772,750	19,026,323

22.5 The income tax assessments of the Bank have been finalized up to tax year 2020.

During the previous year, the Assistant Commissioner Inland Revenue (IR) Peshawar passed an impugned order dated September 30, 2019 for the tax year 2014 under section 122(1) of the Income Tax Ordinance, 2001, creating a demand of Rs. 1.73 billion, by disallowing the entire amount of mark-up expense and others under section 21 (C) and ignoring section 165(2), wherein, all required information was already submitted with the Income tax department. Being aggrieved, the Bank has filed appeal with Commissioner Inland Revenue (Appeals), which is pending adjudication, and a stay has been obtained. Management of the Bank is confident that the demand of Rs.1.73 billion has no lawful grounds and justifications therein, therefore is not sustainable before the law being devoid of merit.

During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditure on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308.9 million. The Bank filed an appeal as well as rectification application against the said order. Based on rectification application, the order was amended and accordingly the additional demand was reduced to Rs. 256.349 million. During 2012, the Commissioner Inland Revenue (Appeals) [CIR (A)] through an order dated June 01, 2012 has deleted certain additions on account of disallowances except for the additions under certain heads of expenses having tax impact of approximately Rs. 23 million. The Bank had filed an appeal against the order of the Appellate Tribunal Inland Revenue (ATIR) in respect of remaining additions which also decided in favour of the Bank. Subsequently, CIR went in to appeal in Peshawar High Court. The management is confident that matter will be decided in Bank's favour.

	2020	2019
23 MARK-UP / RETURN / INTEREST EARNED	Rupees in '000	
On:		
a) Loans and advances	11,232,222	12,782,497
b) Investments	12,325,059	9,434,051
c) Balances with banks	134,738	126,796
d) Lendings to financial institutions	351,764	943,337
e) Sukuk bonds	1,629,592	1,369,854
	25,673,375	24,656,535
24 MARK-UP / RETURN / INTEREST EXPENSED		
On:		
Deposits	11,846,948	15,340,577
Borrowings	6,934,936	4,398,453
Lease liability	129,610	151,587
	18,911,494	19,890,617

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

			2020	2019
25	FEE AND COMMISSION INCOME	Note	Rupees in '000	
	Branch banking customer fees		57,796	42,450
	Consumer finance related fees		1,566	5,298
	Debit card related fees		48,223	39,954
	Credit related fees		38,812	64,108
	Investment banking fees		19,560	29,739
	Commission on trade		6,201	12,838
	Commission on guarantees		164,309	170,444
	Commission on cash management		36	55
	Commission on remittances including home remittances		29,093	28,210
	Others		21,909	4,538
			387,505	397,634
26	GAIN / (LOSS) ON SECURITIES			
	Realised	26.1	1,733,179	291,583
	Unrealised		1,863	(1,819)
			1,735,042	289,764
26.1	Realised gain / (loss) on:			
	Federal Government Securities		1,672,380	258,612
	Shares		40,970	34,892
	Non Government Debt Securities		1,895	(1,921)
	Mutual funds		17,934	-
			1,733,179	291,583
27	OTHER INCOME			
	Postal, swift and other services		95,118	100,169
	Rental income from property		2,855	2,791
	Service income on Government schemes		15,274	18,038
	Rebate from financial institutions		8,236	5,453
	Gain on early culmination of lease		4,175	-
	Gain on sale of fixed assets		-	506
			125,658	126,957

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

28	OPERATING EXPENSES	Note	2020 Rupees in '000	2019
	Total compensation expense	28.2	2,135,384	1,729,028
	Property expenses			
	Rent and taxes		661	5,609
	Utilities cost		144,394	145,921
	Security (including guards)		138,400	136,559
	Repair and maintenance		3,986	3,841
	Depreciation - Right of use assets		336,233	329,381
	Depreciation - Non-banking assets acquired in satisfaction of claims		-	-
	Deficit on revaluation of non-banking assets		29,540	2,461
	Depreciation		12,550	-
			134,211	140,735
			799,975	764,507
	Information technology expenses			
	Software maintenance		125,223	80,020
	Hardware maintenance		29,269	23,949
	Depreciation		116,731	148,031
	Amortization		42,472	43,450
	Network charges		13,334	12,735
	ATM charges		142,586	131,192
			469,615	439,377
	Other operating expenses			
	Directors' fees and allowances		6,918	9,213
	Fees and allowances to Shariah Board		-	320
	Legal and professional charges		51,226	23,385
	Travelling and conveyance		38,853	66,882
	Depreciation		26,588	28,567
	Assets written off	13.3	-	-
	Entertainment		25,543	28,840
	Newspapers and periodicals		1,639	1,728
	Outsourced services cost	28.1	97,959	79,059
	Postage and courier charges		31,612	24,806
	Communication		38,013	51,144
	Brokerage and commission		62,629	51,732
	Rent and taxes		1,980	1,587
	Stationery and printing		45,340	45,068
	Marketing, advertisement and publicity		38,897	40,846
	Cash carriage charges		44,724	44,442
	Repair and maintenance		12,740	11,606
	Insurance		41,515	40,167
	Training and development		8,162	8,775
	NIFT clearing charges		48,038	13,644
	Auditors remuneration	28.3	10,415	11,375
	Fee and subscription		6,575	6,615
	Deposit protection premium		89,533	66,427
	Loss on sale of fixed assets		117	-
	COVID - 19 related expenses	28.4	69,534	-
	Donations	28.5	600	-
	Others		19,074	31,279
			818,224	687,507
			4,223,198	3,620,419

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

28.1 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 97.959 million (2019: Rs. 79.059 million) which pertains to the payment to companies incorporated in Pakistan. Outsourced activities mainly include janitorial services, cash sorters etc.

		2020	2019
28.2	Total compensation expense	Rupees in '000	
	Managerial remuneration		
	Fixed	954,283	932,007
	Variable - cash bonus / awards etc.	96,147	65,485
	Contribution to defined contribution plan	69,166	69,217
	Charge for defined benefit plan	27,590	(570,324)
	Charge for compensated absences	-	5,427
	Rent and house maintenance	375,722	367,946
	Fuel ceiling entitlement	221,945	223,697
	Utilities	125,500	122,481
	Voluntary separation scheme	-	195,573
	Medical	78,114	148,460
	Insurance	51,087	47,162
	Special duty allowance	21,473	23,177
	Conveyance	82,102	82,080
	Others	32,257	16,640
	Grand total	2,135,386	1,729,028
28.3	Auditors' remuneration		
	Audit fee	3,019	3,019
	Fee for other statutory certifications	5,886	5,886
	Out-of-pocket expenses	1,510	2,470
		10,415	11,375
28.4	These represent expenses incurred for the health and safety of employees and customers during the on-going pandemic including face masks, sanitisers and other related materials.		
28.5	Donations include an amount of Rs. 500 thousand paid to a local government authority.		
29	OTHER CHARGES	2020	2019
		Rupees in '000	
	Penalties imposed by State Bank of Pakistan	55	17,762
		55	17,762
30	(PROVISIONS) / REVERSALS - NET		
	Reversal for diminution in value of investments	-	99,880
	Provisions against loans and advances	(1,610,005)	(78,788)
	Loans write offs	-	-
	Provisions against other assets	-	-
		(1,610,005)	21,092

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

31	TAXATION	Note	2020	2019
			Rupees in '000	
	Current		2,107,692	889,822
	Prior years		17,864	79,670
	Deferred		(471,055)	(14,220)
		31.1	1,654,501	955,272
31.1	Relationship between tax expense and accounting profit			
	Profit before tax		3,806,284	2,261,311
	Profit at the applicable rate of 35% (2019: 35%)		1,332,199	791,459
	Prior year tax		17,864	79,670
	Super tax		214,771	87,919
	Permanent differences		43,544	40,794
	Others		46,123	(44,570)
			1,654,501	955,272
32	BASIC AND DILUTED EARNING PER SHARE		2020	2019
	Profit for the year - Rupees		2,151,783,000	1,306,039,000
	Weighted average number of ordinary shares		1,000,252,485	1,000,252,485
	Basic and diluted earnings per share - rupee/share		2.15	1.31
32.1	Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.			
33	CASH AND CASH EQUIVALENTS		2020	2019
		Note	Rupees in '000	
	Cash and balance with treasury banks	7	15,840,359	12,137,805
	Balance with other banks	8	9,092,355	8,230,072
			24,932,714	20,367,877
33.1	Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances with treasury and other banks that are highly liquid and readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.			
34	STAFF STRENGTH		2020	2019
			Number	
	Permanent		1,433	1,334
	On contractual basis		5	8
	Bank's own staff strength at the end of the year		1,438	1,342
	Bank's own average staff strength		1,390	1,365
34.1	In addition to the above, 840 (2019: 883) employees of outsourcing services companies were assigned to the Bank as at the end of the year. No staff was assigned by the Bank to perform activities outside Pakistan.			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35 EMPLOYEE BENEFITS

35.1 General description-gratuity fund

General description of the type of defined benefit plan and the accounting policy for recognizing actuarial gains and losses are disclosed in notes 5.6 and 6.10 to these financial statements.

35.1.1 Number of employees under the scheme

The number of employees covered under the scheme are 1,402 (2019: 1,334).

35.1.2 Principal actuarial assumptions

The actuarial valuation was carried out as at December 31, 2020 using the following significant assumptions:

		2020	2019
		Per annum	
Discount rate		9.75%	11.25%
Expected rate of return on plan assets		9.75%	11.25%
Expected rate of salary increase-long term		7.75%	9.25%
Expected rate of salary increase-short term		7.75%	9.25%
Average expected remaining working life (years)		7.86	8.81
35.1.3 Reconciliation of (payable) / receivable under defined benefit plan	Note	2020	2019
		Rupees in '000	
Present value of obligation	35.1.4	(546,054)	(457,349)
Fair value of plan assets	35.1.5	881,501	865,049
		335,447	407,700
35.1.4 Movement in defined benefit obligation			
Obligations at the beginning of the year		457,349	972,179
Current service cost		73,456	52,500
Interest cost		45,985	40,144
Past service cost (benefit rule changes)	35.1.4.2	-	(562,374)
Past service cost (late joiners)		-	4,964
Benefits paid		(79,131)	(184,898)
Re-measurement loss	35.1.8	48,395	134,834
Obligation at the end of the year	35.1.4.1	546,054	457,349

35.1.4.1 This includes Rs. 19.535 million (2019: Rs.1.478 million) payable to outgoing employees.

35.1.4.2 The negative past service cost was due to the amendment in the gratuity plan as approved by Board of Directors in the meeting held on May 24, 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
		Rupees in '000	
35.1.5 Movement in fair value of plan assets	Note		
Fair value at the beginning of the year		865,049	792,299
Expected return on plan assets		91,851	105,558
Contribution by the Bank		-	179,880
Benefits paid by the Fund		(79,131)	(184,898)
Re-measurements	35.1.8	3,732	(27,790)
Fair value at the end of the year		881,501	865,049
35.1.6 Movement in (payable) / receivable under defined benefit scheme			
Opening balance		407,700	(179,880)
Charge for the year		(27,590)	570,324
Contribution by the Bank		-	179,880
Re-measurement loss recognised in OCI	35.1.8	(44,663)	(162,624)
Closing balance		335,447	407,700
35.1.7 Cost recognised in profit and loss			
Current service cost		(73,456)	(52,500)
Past service cost		-	557,410
Net interest		45,866	65,414
		(27,590)	570,324
35.1.8 Re-measurement recognised in OCI			
Loss on obligation			
- Financial assumptions		37,571	40,659
Experience adjustment			
- Due to actual salary increase		-	-
- Due to actual withdrawal		10,824	94,175
- Due to other reasons		-	-
		48,395	134,834
Return on plan assets over interest income		(3,732)	27,790
Total remeasurement recognized in OCI		44,663	162,624
35.1.9 Components of plan assets			
Cash and cash equivalents		7,329	1,892
Investment in Term Deposit Receipts (TDR)		808,907	803,164
Shares / mutual funds		65,265	20,257
Non-Government debt securities		20,000	59,736
		901,501	885,049
Less: provision against securities		(20,000)	(20,000)
		881,501	865,049

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35.1.10 Sensitivity analysis

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied, as applied when calculating the gratuity liability recognized within the statement of financial position.

	2020	2019
	Present Value of Defined Benefit Obligation	
	Rupees in '000	
Current liability	526,519	457,349
1% increase in discount rate	487,750	426,212
1% decrease in discount rate	570,871	489,528
1 % increase in expected rate of salary increase	541,722	463,262
1 % decrease in expected rate of salary increase	513,516	449,572
10% increase in withdrawal rates	529,076	457,477
10% decrease in withdrawal rates	523,939	454,257
1 Year Mortality age set back	528,164	458,828
1 Year Mortality age set forward	524,865	452,886
35.1.11 Expected contribution to be paid to the Fund in the next financial year	-	-
35.1.12 Expected charge for the next financial year	29,242	22,261

	2020	2019
	Undiscounted Payments	
	Rupees in '000	
35.1.13 Maturity profile		
Particulars		
Year 1	43,917	62,029
Year 2	35,591	38,455
Year 3	60,700	35,726
Year 4	38,968	65,928
Year 5	72,473	38,025
Year 6 to 10	284,187	295,360
Year 11 and above	931,758	847,893

35.1.14 Funding policy

Contributions to the Fund are made on the basis of actuarial recommendation. The Bank expects to adjust / recover net surplus of Rs. 335.447 million within next two years. Accordingly, the effect of asset ceiling is not significant to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35.1.15 Risks associated with Defined Benefit Plans

Asset Volatility

The risk arises due to inclusion of the risky assets in the gratuity fund portfolio, inflation and interest rate volatility.

Changes in Bond yields

The risk arises when bond yield is lower than the expected return on plan assets (duration based PIB discount rate).

Inflation Risks

The risk arises if gratuity benefits are linked to inflation and the inflation is higher than expected, which results in higher liability.

Life expectancy / withdrawal Risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Longevity Risk

The risk arises when the actual lifetime of retirees is longer than expectation. The risk is measured at the plan level over the entire retiree population.

Salary Increase Risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases in salary are higher than expectation and impacts the liability accordingly.

35.2 COMPENSATED ABSENCES

During the previous year, the Bank discontinued the leave encashment policy by paying off outstanding liability, based on latest valuation carried out by an independent actuary, in respect of leave encashment hence no liability was outstanding as at December 31, 2019.

35.3 DEFINED CONTRIBUTION PLAN - EMPLOYEES' PROVIDENT FUND

General description of the Fund is disclosed in note 6.10.2 to these financial statements. The number of employees covered under the scheme are 1,402 (2019: 1,334). During the year the Bank has contributed Rs. 69.166 million (2019: Rs. 69.217 million) to the Fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

36.1 Total compensation expense

Description	2020			Members shariah board	Managing Director *	Key management personnel	Other material risk takers / controllers	Executives
	Chairman	Executive (other than Managing Director)	Non- executive					
Rupees in '000								
Fees and allowances etc.	313	-	6,022	-	-	-	-	-
Managerial remuneration	-	-	-	-	-	-	-	-
Fixed	-	-	-	6,186	19,562	48,479	23,218	185,131
Variable - cash bonus / awards etc.	-	-	-	-	2,458	17,777	8,288	13,542
Charge for defined benefit plan	-	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	175	508	3,510	1,934	15,421
Rent & house maintenance	-	-	-	948	2,743	21,686	10,448	83,309
Utilities	-	-	-	316	914	6,922	3,483	27,770
Medical	-	-	-	316	914	6,922	3,483	27,770
Conveyance	-	-	58	873	1,500	14,490	8,828	77,954
Additional allowances	-	-	-	-	3,669	6,947	2,187	13,877
Contractual allowances	-	-	-	-	-	1,749	-	-
Other allowances	-	-	-	-	-	-	-	-
Others	-	-	525	24	47	374	286	12,377
Total	313	-	6,605	8,838	32,315	128,856	62,155	457,151
Number of persons	1	-	5	3	1	14	12	117

* This includes payment of Rs. 13.47 million made to the Ex-Managing Director of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2019

Description	Directors			Members shariah board	Managing Director	Key management personnel	Other material risk takers/ controllers	Executives
	Chairman	Executive (other than Managing Director)	Non- executive					
Rupees in '000								
Fees and allowances etc.	313	-	6,689	-	-	-	-	-
Managerial remuneration	-	-	-	-	-	-	-	-
Fixed	-	-	-	5,961	8,000	40,763	22,989	137,250
Variable - cash bonus / awards etc.	-	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	157	-	2,708	1,947	11,500
Rent & house maintenance	-	-	-	846	800	17,172	10,345	62,034
Utilities	-	-	-	282	400	5,486	3,448	20,587
Medical	-	-	-	282	67	5,486	3,448	20,587
Conveyance	-	-	1,171	1,193	600	13,365	8,555	59,714
Additional allowances	-	-	-	-	-	5,842	2,165	6,651
Contractual allowances	-	-	-	-	-	3,143	-	-
Other allowances	-	-	-	-	1,333	-	-	-
Others	132	-	908	18	1	247	171	7,770
Total	445	-	8,768	8,739	11,201	94,212	53,068	326,093
Number of persons	1	-	6	3	1	13	9	86

- For the purpose of this disclosure an executive means officers, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

36.2 Remuneration paid to directors for participation in board and committee meetings

2020

Sr. No.	Name	Meeting Fees and Allowances Paid						Total amount paid
		For board meetings	For Board Committees				Risk management committee	
			Audit committee	HR&RC committee	IT Steering committee	Compliance committee		
Rupees in '000								
1	Mr. Shakeel Qadir Khan (Chairman)	313	-	-	-	-	-	313
2	Mr. Javed Akhtar	380	278	129	-	222	222	1,231
3	Mr. Rashid Ali Khan	278	278	278	222	333	222	1,611
4	Mr. Asad Muhammad Iqbal	415	324	243	250	-	-	1,232
5	Mr. Maqsood Ismail Ahmad	415	-	373	-	368	250	1,406
6	Mr. Atif Rehman	313	312	-	250	-	250	1,125
Total amount paid		2,114	1,192	1,023	722	923	944	6,918

2019

Sr. No.	Name	Meeting Fees and Allowances Paid						Total amount paid
		For board meetings	For Board Committees				Risk management committee	
			Audit committee	HR&RC committee	IT steering committee	Compliance Committee		
Rupees in '000								
1	Mr. Shehzad Khan Bangash (Chairman)	445	-	-	-	-	-	445
2	Mr. Shakeel Qadir Khan	268	250	-	250	-	138	906
3	Mr. Javed Akhtar	358	473	-	-	172	455	1,458
4	Mr. Shehryar Ahmed	515	533	422	217	167	230	2,084
5	Mr. Rashid Ali Khan	247	222	288	167	172	222	1,318
6	Mr. Asad Muhammad Iqbal	499	549	238	250	-	-	1,536
7	Mr. Maqsood Ismail Ahmad	398	216	363	-	-	491	1,468
Total amount paid		2,730	2,243	1,311	884	511	1,536	9,215

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

36.3 Remuneration paid to shariah board members

Description	2020			2019		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident member
	Rupees in '000					
a. Meeting fees and allowances	-	-	-	-	-	-
b. Monthly remuneration	2,100	4,759	1,980	2,100	4,340	1,980
c. Bonus	-	-	-	-	-	-
d. Travelling and accommodation	-	-	-	157	162	-
Total amount	2,100	4,759	1,980	2,257	4,502	1,980
Total number of persons	1	1	1	1	1	1

37 FAIR VALUE MEASUREMENTS

The fair value of quoted investments other than those classified as held to maturity is based on quoted market prices. The fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per their latest available audited financial statements. The fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3.

The maturity and re-pricing profile and effective rates are stated in notes 42.5.1 and 42.3.5 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits, are frequently re-priced.

37.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

37.2 The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of leasehold land.

2020	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Rupees in '000				
Financial assets - measured at fair value Investments				
Federal Government Securities	-	82,602,314	-	82,602,314
Shares	332,761	-	-	332,761
Term Finance Certificates	-	3,918,128	-	3,918,128
Mutual funds	451,519	-	-	451,519
			-	
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	22,373,173	-	22,373,173
Shares	-	56,257	-	56,257
Non-Government Debt Securities	-	3,704,338	-	3,704,338
Associates	-	40,504	-	40,504
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	16,291,144	-	16,291,144
Forward sale of foreign exchange	-	22,481,606	-	22,481,606
2019	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Rupees in '000				
Financial assets measured at fair value				
Available-for-sale securities				
Federal Government Securities	-	116,391,361	-	116,391,361
Shares in listed companies	270,554	-	-	270,554
Term Finance Certificates (TFCs)	-	1,376,000	-	1,376,000
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	24,479,940	-	24,479,940
Shares	-	56,258	-	56,258
Non-Government Debt Securities	-	4,296,485	-	4,296,485
Associates	-	40,504	-	40,504
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	9,069,099	-	9,069,099
Forward sale of foreign exchange	-	9,957,224	-	9,957,224

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

The valuation techniques used for above assets are same as disclosed in note 6.3 & 6.4 of these financial statements.

The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.

Leasehold land is carried at revalued amount as determined by professional valuer, based on their assessment of market value and has been classified under level-3 as the effect of changes in the unobservable inputs used in the valuation cannot be determined with certainty.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual fund.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuks Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

Valuation techniques and inputs used in determination of fair values within level 1

Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Unit of mutual funds	The fair value of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.

Valuation techniques and inputs used in determination of fair values within level 2

Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates for fixed rate securities and PKFRV rates for floating rate PIB's (Reuters page).
Government of Pakistan (GoP) - Ijarah Sukuks	Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Term Finance, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, Sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises these as traded, thinly traded and non-traded securities.

Valuation techniques and inputs used in determination of fair values within level 3

Operating fixed assets (Leasehold land) and non-banking assets acquired in satisfaction of claims	Leasehold land are revalued on regular basis using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

38 SEGMENT INFORMATION

38.1 Segment details with respect to business activities

	2020				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000				
Profit and loss					
Net mark-up / return / profit	4,422,047	1,560,373	73,651	705,810	6,761,881
Non mark-up / return / interest income	28,898	2,335,998	88,601	424,164	2,877,661
Total income	4,450,945	3,896,371	162,252	1,129,974	9,639,542
Segment direct expenses	1,773,746	1,815,973	84,465	549,069	4,223,253
Total expenses	1,773,746	1,815,973	84,465	549,069	4,223,253
Provisions	-	-	80,500	1,529,505	1,610,005
Profit before tax	2,677,199	2,080,398	(2,713)	(948,600)	3,806,284
Balance sheet					
Cash and bank balances	3,641,602	9,182,403	560,480	11,548,229	24,932,714
Lendings to financial institutions	-	7,297,519	-	-	7,297,519
Investments	15,984,462	97,454,028	-	40,504	113,478,994
Advances - performing	80,660,394	-	4,680,874	41,108,909	126,450,177
Advances - non performing	-	-	116,214	2,496,986	2,613,200
Operating fixed assets/intangible assets	1,401,467	600,629	600,629	1,401,467	4,004,192
Deferred tax assets	459,902	-	-	-	459,902
Others	5,439,814	339,679	1,094,259	2,189,936	9,063,688
Total assets	107,587,641	114,874,258	7,052,456	58,786,031	288,300,386
Bills payable	623,133	9,441	141,621	169,945	944,140
Borrowings	47,223,234	6,839,784	-	3,000,000	57,063,018
Deposits and other accounts	134,027,293	2,030,717	30,460,749	36,552,899	203,071,658
Others	4,397,834	2,399,792	979,423	1,672,476	9,449,525
Total liabilities	186,271,494	11,279,734	31,581,793	41,395,320	270,528,341
Equity / Inter-segment (lending) / borrowing	(78,683,853)	103,594,524	(24,529,337)	17,390,711	17,772,045
Total equity and liabilities	107,587,641	114,874,258	7,052,456	58,786,031	288,300,386
Contingencies and commitments	7,153,648	38,833,972	132,038	14,597,018	60,716,676

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2019				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000				
Profit and loss					
Net mark-up / return / profit	2,896,594	1,056,764	71,710	740,850	4,765,918
Non mark-up / return / interest income	21,225	594,934	109,360	386,963	1,112,482
Total Income	2,917,819	1,651,698	181,070	1,127,813	5,878,400
Segment direct expenses	1,522,993	1,371,532	54,587	689,069	3,638,181
Total expenses	1,522,993	1,371,532	54,587	689,069	3,638,181
Reversal of provisions	-	-	(1,055)	(20,037)	(21,092)
Profit before tax	1,394,826	280,166	127,538	458,781	2,261,311
Balance sheet					
Cash and bank balances	2,394,601	7,913,436	323,697	9,736,143	20,367,877
Investments	18,091,229	128,779,369	-	40,504	146,911,102
Lendings to financial institutions	-	13,863,449	-	-	13,863,449
Advances - performing	65,338,834	-	5,150,661	38,416,265	108,905,760
Advances - non performing	-	-	102,499	734,033	836,532
Operating fixed assets/intangible assets	1,267,324	543,139	543,139	1,267,323	3,620,925
Deferred tax assets	1,031,154	-	-	-	1,031,154
Others	6,917,760	93,943	985,880	2,770,870	10,768,453
Total assets	95,040,902	151,193,336	7,105,876	52,965,138	306,305,252
Bills payable	773,622	11,722	175,823	210,988	1,172,155
Borrowings	31,441,898	60,714,563	-	2,500,000	94,656,461
Deposits and other accounts	120,230,598	1,821,676	27,325,136	32,790,162	182,167,572
Others	7,393,286	2,409,276	1,717,099	2,588,050	14,107,711
Total liabilities	159,839,404	64,957,237	29,218,058	38,089,200	292,103,899
Equity / Inter-segment (lending) / borrowing	(64,798,502)	86,236,099	(22,112,182)	14,875,938	14,201,353
Total equity and liabilities	95,040,902	151,193,336	7,105,876	52,965,138	306,305,252
Contingencies and commitments	6,603,358	29,136,635	174,412	15,822,315	51,736,720

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

38.2 Segment details with respect to geographical locations

Geographical segment analysis

	2020				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000				
Profit before tax					
In Pakistan	2,677,199	2,080,398	(2,713)	(948,600)	3,806,284
Outside Pakistan	-	-	-	-	-
	2,677,199	2,080,398	(2,713)	(948,600)	3,806,284
Total assets					
In Pakistan	107,587,641	114,874,258	7,052,456	58,786,031	288,300,386
Outside Pakistan	-	-	-	-	-
	107,587,641	114,874,258	7,052,456	58,786,031	288,300,386
Net assets employed					
In Pakistan	(78,683,853)	103,594,524	(24,529,337)	17,390,711	17,772,045
Outside Pakistan	-	-	-	-	-
	(78,683,853)	103,594,524	(24,529,337)	17,390,711	17,772,045
Total equity and liabilities	(78,683,853)	103,594,524	(24,529,337)	17,390,711	17,772,045
Contingencies and commitments	7,153,648	38,833,972	132,038	14,597,018	60,716,676

	2019				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000				
Profit before tax					
In Pakistan	1,394,826	280,166	127,538	458,781	2,261,311
Outside Pakistan	-	-	-	-	-
Total Income	1,394,826	280,166	127,538	458,781	2,261,311
Total assets					
In Pakistan	95,040,902	151,193,336	7,105,876	52,965,138	306,305,252
Outside Pakistan	-	-	-	-	-
	95,040,902	151,193,336	7,105,876	52,965,138	306,305,252
Net assets employed					
In Pakistan	(64,798,502)	86,236,099	(22,112,182)	14,875,938	14,201,353
Outside Pakistan	-	-	-	-	-
	(64,798,502)	86,236,099	(22,112,182)	14,875,938	14,201,353
Contingencies and commitments	6,603,358	29,136,635	174,412	15,822,315	51,736,720

38.3 Comparative figures have been restated resulting from changes in segment definitions, during the year.

39 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

40 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its majority shareholders (Government of Khyber Pakhtunkhwa and Ismail Industries Limited), associates, directors, key management personnel, staff retirement benefit plan and other related parties.

Banking transactions with related parties are carried out in the normal course of business at agreed terms. Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuations. Remuneration to the executives, disclosed in note 36 to these financial statements are determined in accordance with terms of their appointments.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2020					2019				
	Directors	Key management personnel	Associate	Employee Funds		Directors	Key management personnel	Associate	Employee Funds	
Advances					Rupees in '000					
Opening balance	-	154,486	-	-		-	123,598	-	-	
Addition during the year	-	41,810	-	-		-	39,859	-	-	
Repaid during the year	-	56,354	-	-		-	19,112	-	-	
Transfer in / (out) - net	-	(14,941)	-	-		-	10,141	-	-	
Closing balance	-	125,001	-	-		-	154,486	-	-	
Provision held	-	-	-	-		-	-	-	-	
Deposits and other accounts										
Opening balance	-	25,661	28,659	2,342,408		-	24,081	30,067	2,185,683	
Received during the year	-	119,145	44,212	933,048		-	129,965	39,564	845,046	
Withdrawn during the year	-	119,290	38,868	740,474		-	128,382	40,972	688,321	
Transfer in / (out) - net	-	(19,291)	-	-		-	(3)	-	-	
Closing balance	-	6,225	34,003	2,534,982		-	25,661	28,659	2,342,408	
Other liabilities										
Accrued mark-up	-	182	915	33,108		-	289	1,718	58,716	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020				2019			
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
Rupees in '000								
Income								
Mark-up / return / interest earned	-	3,104	-	-	-	2,949	-	-
Expense								
Mark-up / return / interest expensed	-	619	2,328	259,227	-	816	2,948	226,917
Operating expenses	39,233	118,270	-	-	20,414	94,212	-	-

40.1 Government of Khyber Pakhtunkhwa (GoKP) holds 70.20% shareholding in the Bank and therefore, entities which are owned and / or controlled by the GoKP, or where the GoKP may exercise significant influence, are also related parties of the Bank. The Bank in the ordinary course of its business enters into transaction with various departments of the GoKP and its related entities. However, it is impracticable to completely disclose such transactions.

Detailed related party disclosure for being government entity is disclosed as required under IAS-24 "Related Party Disclosures". Relevant details are referred in the following notes:

Particulars	Note
Investments	10.1
Shareholding	20
Compensation of directors and executives	36
Advances (by sector)	42.2.3
Deposits (by sector)	18.1
Detail of non-performing advances and other provisions (by sector)	42.2.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

41	CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS	2020	2019
		Rupees in '000	
	Minimum Capital Requirement (MCR):		
	Paid-up capital (net of losses)	10,002,524	10,002,524
	Capital Adequacy Ratio (CAR):		
	Eligible common equity tier 1 (CET 1) capital	15,550,165	13,204,421
	Eligible additional tier 1 (ADT 1) capital	-	-
	Total eligible tier 1 capital	15,550,165	13,204,421
	Eligible tier 2 capital	1,814,447	-
	Total eligible capital (Tier 1 + Tier 2)	17,364,612	13,204,421
	Risk Weighted Assets (RWAs):		
	Credit risk	61,803,516	58,970,352
	Market risk	15,868,243	16,711,426
	Operational risk	12,082,254	10,642,475
	Total	89,754,013	86,324,253
	Common equity tier 1 capital adequacy ratio	17.33%	15.30%
	Tier 1 capital adequacy ratio	17.33%	15.30%
	Total capital adequacy ratio	19.35%	15.30%
	National minimum capital requirements prescribed by SBP		
	CET1 minimum ratio	6.00%	6.00%
	ADT-1 minimum ratio	1.50%	1.50%
	Tier 1 minimum ratio	7.50%	7.50%
	Total capital minimum ratio	10.00%	10.00%
	Capital conservation buffer (CCB- consisting of CET1 only)	1.50%	2.50%
	Total capital plus CCB	11.50%	12.50%
	Leverage Ratio (LR):		
	Eligible tier-1 capital	15,550,165	13,204,421
	Total exposures	308,964,487	305,453,822
	Leverage ratio	5.03%	4.32%
	Liquidity Coverage Ratio (LCR):		
	Total high quality liquid assets	72,827,275	60,536,707
	Total net cash outflow	55,801,680	48,785,693
	Liquidity coverage ratio	130.51%	124.09%
	Net Stable Funding Ratio (NSFR):		
	Total available stable funding	144,132,642	132,085,894
	Total required stable funding	133,253,371	111,614,902
	Net stable funding ratio	108.16%	118.34%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

- 41.1** The full disclosures on the Capital Adequacy, Leverage Ratio and Liquidity Requirements as per SBP instructions issued from time to time is also placed on Bank's website. Please follow the link <https://www.bok.com.pk/downloads> for detailed disclosures.

42 RISK MANAGEMENT

Banks are in business of taking risk in order to earn acceptable required return. Risk management in Bank of Khyber is performed at each level of authority and is managed through an ongoing process of identification, measurement and monitoring subject to risk limits and other controls.

The Bank is exposed to credit, market, operational and liquidity risks. For mitigation of these risks, Risk Management Group (RMG) is equipped with dedicated resources having expertise in various areas of risk. Credit Risk management department is responsible to assess credit risk present in a loan proposal and makes its recommendations for rectification/management of various credit risk in a loan proposal.

Enterprise Risk Management Division (ERMD) is responsible for Market and Liquidity Risk policy formulation, procedures development, controlling of market and liquidity related various risks including monitoring of exposures against limits and assessment of risks in new businesses. ERMD ensures that the bank's position in Money Market, Foreign exchange, and Capital Market transactions remain within the assigned internal and regulatory limits. Market and liquidity Early Warning Indicators (EWI) and Portfolio-wise Management Action Triggers (MAT) are duly reported to the management. Similarly ERMD also assess the impact of operational risk of loss due to an event or action causing failure of technology, process infrastructure, personnel and other external events. Their impact is assessed through Risk Control Self Assessment (RCSAs), Key Risk Indicators (KRIs) and loss data base. Owing to growing importance of regulatory reporting, a Basel II and Regulatory reporting department has also been established to keep the Bank in line with various regulatory requirements, and Enterprise Risk Management Division works in liaison with it for Capital Adequacy Ratio (CAR), Liquidity Coverage Ratio (LCR), Liquidity Monitoring Tools, and Net Stable Funding Ratio (NSFR) calculation and reporting to SBP. The Bank has also established Green Banking office to reduce vulnerability of the Bank from the risks arising from environment and to fulfill their responsibility to protect environment and to transform it into resource efficient and climate resilient economy. The Environmental Risk Management Desk at ERMD is dedicatedly working over implementation of Environmental Risk Management System.

The Bank is fully aware that risk management could not be solely performed by a dedicated centralized department but instead to have an effective risk management framework, Front line staff of the Bank, senior management and Board oversight is needed to aid in Implementation of the framework. The Bank has a dedicated Management Risk Management Committee (MRMC) and Board Risk Management Committee (BRMC). BRMC is also responsible to review the extent of design and adequacy of risk management framework. The Bank also has a management level Risk Management Committee which is responsible for the smooth implementation of risk management framework within the entire Bank.

42.1 Impact of COVID - 19 on the Bank

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To counter it's impact on businesses and economies, regulators /governments introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by reducing the Policy Rate by 225 basis points to 11% in March 2020 , 200 basis points to 9% on April 16, 2020, 100 basis points to 8% on May 15, 2020 and by another 100 basis points to 7% on June 25, 2020. Besides, numerous other regulatory measures have been announced by the SBP to support business and economic activity which include, inter-alia, the following:

- Allowing banks to defer borrowers' principal loan payments by one year;
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief on account of the principal repayment exceeding one year and / or mark-up;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs.180 million;
- Providing concessionary refinance facilities to hospitals for financing equipment;
- To control unemployment, offered refinance facilities to customers for meeting their salary expense; and
- Besides, various other steps have been announced to dampen the effects of COVID-19.

COVID-19 is likely to impact banks in Pakistan on many fronts. This includes significant increase in overall credit risk and contraction of fee income due to overall slowdown in economic activity. Furthermore, there is increased operational risk in respect of business operations including enhanced cyber-security threat as increased number of customers have diverted to meet their banking needs through the digital channels.

(a) Credit Risk Management and Asset Quality

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak. The Bank's management has created a buffer against unforeseen loan losses and to preserve the quality of the Credit portfolio.

Owing to the impact of COVID-19 on economic activity, several business segments of economy were impacted by the pandemic. Therefore, certain borrowers of the Bank have availed the SBP enabled deferment / restructuring and rescheduling. However, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Hence, the management estimates that it is appropriate to maintain an additional general provision on the funded advances at the rate of 2.50% excluding:

- (a) Government Sector Advances;
- (b) Non-Performing loans; and
- (c) Consumer and Small Enterprises.

Management also provided for additional 1.70% general provision on Consumer and Small Enterprises.

These provisions are based on management's best estimate; resulting in recognition of an additional provision of Rs. 1,135 million in the profit and loss account of the current year.

(b) Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and rescheduling of loans there is an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(c) **Equity Risk Management**

There is no significant impact of COVID-19 on the listed equity securities of the Bank classified as available-for-sale. Impairment, if any, against these securities has already been recognized in the financial statements. No relief was availed during the year on account of deferral of impairment allowed by SBP.

(d) **Operational Risk Management**

The Bank is closely monitoring the situation and has invoked required actions to ensure the Health and safety of Bank staff alongside uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation in order to take timely decisions.

Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank enhanced monitoring of cyber-security risks during these times. The remote work capabilities were enabled for staff, where required, and related risks and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank also communicated with its customers on how they could avail the services from its digital/online channels also.

The Bank staff is working tirelessly to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored so that the Bank continues to meet the expectations of all stakeholders.

(e) **Capital Adequacy Ratio (CAR)**

In order to encourage banks to continue lending despite anticipated pressure on profits, credit risk and liquidity, the SBP has relaxed the Capital Conservation Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.2 Credit risk

Credit risk is the potential that the counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligations. The Bank is exposed to credit risk through its lending and investment activities as well as from contingent liabilities.

The main objective of the credit risk management process is to identify, assess, measure and monitor credit risk in all the financial exposure of the Bank. The Bank has established a credit risk management framework to manage credit risk on relationship as well as at portfolio level.

Credit risk management is governed by the Board Risk Management Committee and other instructions and guidelines outlined by SBP. The Bank attempts to control risk by monitoring credit exposures, limiting non performing counter parties and continually assessing the credit worthiness of the borrowers. The Bank manages limits and controls concentrations of credit risk to individual counterparties and groups and to industries, where applicable.

The Bank has adopted standardized approach to measure credit risk regulatory capital charge in compliance with Basel-II requirements. The approach relies upon the assessment of external credit rating agencies. The Bank is in the process of continuously improving the system and bringing it in line with the Basel framework requirements.

The Bank has dedicated Customer Risk Rating (CRR) and Facility Risk Rating (FRR) Models for various customer types. The models aim to measure credit risk posed by a counterparty as well facility it has applied for by assessing various qualitative and quantitative attributes keeping in view best industry practices in the field of credit risk management. Each risk rating model covers a dedicated procedural guidelines for its consistent implementation within the Bank. The Bank has also approved a dedicated risk rating policy providing broad policy guidelines for minimum acceptable risk for various borrowers of the Bank.

42.2.1 Lendings to financial institutions

Credit risk by public/private sector

	Note	Gross lendings		Non-performing lendings		Provision held	
		2020	2019	2020	2019	2020	2019
Public/ Government		-	2,831,347	-	-	-	-
Private		7,536,463	11,271,046	238,944	238,944	238,944	238,944
		7,536,463	14,102,393	238,944	238,944	238,944	238,944

42.2.2 Investment in debt securities

Credit risk by industry sector

Textile		119,658	44,658	44,658	44,658	44,658	44,658
Power (electricity), gas, water, sanitary		5,286,429	3,363,871	-	-	-	-
Financial		2,195,914	2,165,415	40,384	40,384	40,384	40,384
Others		191,192	280,540	90,957	90,957	90,957	90,957
		7,793,193	5,854,484	175,999	175,999	175,999	175,999

Credit risk by public / private sector

Public / Government		104,550,078	143,350,073	-	-	-	-
Private		7,793,193	5,854,484	175,999	175,999	175,999	175,999
	10	112,343,271	149,204,557	175,999	175,999	175,999	175,999

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.2.3 Advances

Credit risk by industry sector

	Note	Gross advances		Non-performing advances		Provision held	
		2020	2019	2020	2019	2020	2019
		Rupees in '000					
Agriculture, forestry, hunting and fishing		2,916,537	3,270,390	275,785	239,246	223,051	211,497
Mining and quarrying		94,604	43,151	-	-	-	-
Textile		11,549,054	9,575,994	1,154,246	555,590	669,318	555,590
Chemical and pharmaceuticals		1,023,992	1,330,907	89,093	89,093	89,093	89,093
Petro chemical		2,890,425	827,565	21,533	19,729	9,475	7,179
Auto loans		462,424	665,593	4,054	3,247	3,040	3,247
Cement		4,606,000	4,649,505	2,356	2,532	2,356	2,532
Sugar		1,986,789	2,259,199	848,069	849,199	848,069	848,351
Engineering		324,864	929	929	929	929	929
Footwear and leather garments		125,138	120,443	101,624	106,704	101,624	106,704
CNG / gas stations		193,204	106,509	24,844	27,056	17,921	19,904
Automobile and transportation equipment		873,210	1,044,481	306,025	268,449	186,656	192,151
Trade		4,605,278	3,548,078	587,474	493,068	281,929	260,338
Construction		3,003,925	1,870,177	403,078	215,106	169,921	187,675
Communication		54,613	71,191	54,613	67,191	54,613	67,191
Ghee and cooking oil		934,101	737,547	43,169	43,169	43,169	43,169
Food and beverages		1,385,639	1,579,451	599,947	609,848	558,805	553,461
Power (electricity), gas, water, sanitary		75,627	98,431	17,840	17,840	17,840	17,840
Financial		667,021	353,289	160,215	160,216	160,215	160,215
Services		1,699,594	1,803,272	72,322	92,083	29,454	36,730
Metal products		3,811,541	4,286,756	175,558	187,010	127,191	140,541
Individuals / personal		4,508,024	2,346,886	118,370	50,312	88,472	45,312
Miscellaneous manufacturing		6,287,249	5,307,823	2,192,758	658,551	964,326	398,014
Commodity		52,000,000	35,000,000	-	-	-	-
Others		28,828,389	33,078,585	22,038	270,550	15,273	242,522
		134,907,242	113,976,152	7,275,940	5,026,718	4,662,740	4,190,185
Credit risk by public / private sector							
Public/ Government		80,660,394	65,338,834	-	-	-	-
Private		54,246,848	48,637,318	7,275,940	5,026,718	4,662,740	4,190,185
	11	134,907,242	113,976,152	7,275,940	5,026,718	4,662,740	4,190,185

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.2.4 Contingencies and commitments

	2020	2019
	Rupees '000	
Credit risk by industry sector		
Agriculture, forestry, hunting and fishing	251,903	559,027
Engineering	148,220	5,034
Petrochemicals	1,176,092	2,670,291
Health	-	-
Textile	1,153,220	619,715
Information technology	-	-
Cement	123,072	999,605
Automobile and transportation equipment	298,549	426,694
CNG and filling stations	741,607	1,053,366
Construction	8,505,186	8,690,727
Power (electricity), gas, water, sanitary	420,480	397,417
Ghee and cooking oil	622,805	348,139
Trading and sales	917,521	547,863
Services	346,259	316,266
Other private sectors	-	-
Government	1,635,256	1,496,167
Others	5,195,614	3,844,675
	21,535,784	21,974,986
Credit risk by public / private sector		
Public / Government	1,635,256	1,496,167
Private	19,900,528	20,478,819
	21,535,784	21,974,986

42.2.5 Concentration of advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 93,679 million (2019: Rs 78,538 million) are as following:

	2020	2019
	Rupees '000	
Funded	87,326,797	71,375,583
Non funded	6,352,107	7,162,346
Total exposure	93,678,904	78,537,929

The sanctioned limits against these top 10 exposures aggregated to Rs. 96,668 million (2019: Rs 82,745 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Total funded classified therein

	2020		2019	
	Amount	Provision held Rupees in '000	Amount	Provision held
OAEM	45,232	68	31,358	-
Substandard	352,950	9,975	96,415	3,676
Doubtful	1,615,105	225,044	220,469	22,501
Loss	5,262,653	4,427,653	4,678,476	4,164,008
Total	7,275,940	4,662,740	5,026,718	4,190,185

42.2.6 Advances - Province / Region-wise disbursement and utilization

Province / Region	2020				
	Utilization				
	Punjab	Sindh	KPK	Balochistan	Islamabad
	Rupees in '000				
Punjab	70,125,286	344,109	-	-	-
Sindh	27,779,118	27,737,330	-	-	-
KPK including FATA	49,159,219	-	21,685,312	-	27,422,134
Balochistan	12,603	-	-	12,603	-
Islamabad	6,001,079	177,001	635,878	-	4,416,404
AJK including Gilgit-Baltistan	316,025	-	-	-	-
Total	153,393,330	28,258,440	22,321,190	12,603	31,838,538
					316,025

2019

Province / Region	2019				
	Utilization				
	Punjab	Sindh	KPK	Balochistan	Islamabad
	Rupees in '000				
Punjab	64,842,766	500,000	62,160	-	1,050,000
Sindh	11,372,246	10,461,018	-	-	177,640
KPK including FATA	21,451,975	-	21,001,975	-	450,000
Balochistan	24,815	-	-	24,815	-
Islamabad	32,264,417	-	18,957,079	-	13,307,338
AJK including Gilgit-Baltistan	327,228	-	-	-	-
Total	130,283,447	10,961,018	40,021,214	24,815	14,984,978
					327,228

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.3 Market risk

It is the risk that the value of the on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, equity prices and/or commodity prices resulting in a loss of earnings, and capital. Market risks arise generally from trading activities, open foreign currency positions, holding common equity, and other products. All such instruments and transactions are exposed to general and specific market movements.

The Bank's Market Risk Management structure consists of BRMC for Board oversight, MRMC and Asset and Liabilities Committee (ALCO) at the senior management level and dedicated Market and Liquidity Risk Management Department reporting directly to Head Enterprise Risk Management Division. Enterprise Risk Management Division is responsible for policy formulation, procedures development, controlling of market risks including monitoring of exposures against limits and assessment of risk in new businesses. Market risk authority, including both approval of market risk limits and approval of market risks is vested in BRMC and ALCO.

The Bank seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Various broad limits are set and recommended by ALCO to BRMC approval for proper management of Market risk. ERMD has developed a dedicated Financial Institutions (FIs) model for inter-bank lines setting to different financial institutions. The intra-day positions are managed by treasury division through Management Action Trigger(MAT) / Dealers limits. Stress testing is carried out for both Banking and trading books as per SBP guidelines.

The Bank has adopted standardized approach to measure market risk regulatory charge in compliance with Basel II and III requirements. ERMD is preparing stress testing report and market risk capital charge on quarterly basis.

42.3.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	15,840,359	-	15,840,359	12,137,805	-	12,137,805
Balances with other banks	9,092,355	-	9,092,355	8,230,072	-	8,230,072
Lendings to financial institutions	7,297,519	-	7,297,519	13,863,449	-	13,863,449
Investments	15,984,462	97,494,532	113,478,994	18,091,229	128,819,873	146,911,102
Advances	129,063,377	-	129,063,377	109,742,292	-	109,742,292
Fixed assets	3,472,025	-	3,472,025	3,334,670	-	3,334,670
Intangible assets	532,167	-	532,167	286,255	-	286,255
Deferred tax assets	459,902	-	459,902	1,031,154	-	1,031,154
Other assets	9,063,193	-	9,063,193	10,768,453	-	10,768,453
	190,805,359	97,494,532	288,299,891	177,485,379	128,819,873	306,305,252

42.3.2 Foreign exchange risk

Foreign exchange risk / currency risk is defined as risk of loss to earnings and capital arising from adverse movements in currency exchange rates. The Bank undertakes currency risk mostly or supports its trade services and maintains overall foreign exchange risk positions to the extent of statutory foreign exchange exposure limit prescribed by SBP.

Exposure limits such as counterparty, gap currency-wise net open position, portfolio-wise management action triggers, dealer and product limits are also in place in accordance with the Bank's approved policies to limit risk and concentration to the acceptable tolerance levels. ALCO is regularly informed through reports issued on regular frequencies for required monitoring. Hedging strategies and mark-to-market valuations are used to mitigate exchange risk resulting from open positions, where required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020				2019			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000				Rupees in '000			
United States Dollar	6,046,161	163,428	42,816,061	48,698,794	1,585,601	505,045	14,142,060	15,222,616
Great Britain Pound Sterling	36,591	35,823	-	768	64,248	81,769	9,590	(7,930)
Japanese Yen	117	-	-	117	175	-	11,051	11,225
Euro	17,682	20,434	-	(2,752)	123,729	226,181	519,575	417,122
Other currencies	196,111	47,488	56,260	204,883	69,236	101,866	50,811	18,181
	6,296,662	267,173	42,872,321	48,901,810	1,842,989	914,861	14,733,087	15,661,214

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on:				
- Profit and loss account	-	3,072	-	946
- Other comprehensive income	-	-	-	-

42.3.3 Equity position risk

It is the risk of loss to earning or capital as a result from unfavourable fluctuations in prices of shares in which the Bank carries long and / or short positions, in its trading book.

ALCO (Asset Liability Committee) is responsible for making investment decisions in the capital market and setting limits as per BRMC approved criteria as per Bank's BoD approved market risk management policy. Portfolio, sector and scrip wise limits are assigned by the ALCO to safeguard against concentration risk and these limits are reviewed and revised periodically along with results of different stress tests. The treasury division ensures compliance of concentration limits set by ALCO. Limit breaches if any are promptly reported to ALCO for its ratification and BRMC for their information.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on:				
- Profit and loss account	-	-	-	775
- Other comprehensive income	11,955	12,334	5,187	7,566

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.3.4 Yield / interest rate risk in the banking book (IRRBB)-Basel II Specific

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. This also refers to the non-trading market risk. BoK has adopted simple GAP analysis method to execute this analysis to estimate the impact on capital by an assumed change (decline by 1 basis point) in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate. movement.

- All assets and liabilities across the Yield interest rate risk sensitive GAPs are assumed to be in unique classification since the all risk sensitive assets and liabilities are considered to be affected through change in yield curve.

Major sources of interest rate risk are:

- differences between the timing of rate changes and the timing of cash flows (re-pricing risk);
- changing rate relationships among different yield curves affecting bank activities (basis risk);
- changing rate relationships across the range of maturities (yield curve risk); and
- interest-related options embedded in bank products (options risk).

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on:				
- Profit and loss account	5,665,763	-	-	-
- Other comprehensive income	-	-	4,828,088	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.3.5 Mismatch of interest rate sensitive assets and liabilities

	2020											Non-interest bearing financial instruments
	Effective Yield / Interest rate	Exposed to yield / interest risk									Above 10 Years	
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		
On-balance sheet financial instruments												
Rupees in '000												
Assets												
Cash and balances with treasury banks	0.30%	15,840,359	76,800	-	-	-	-	-	-	-	-	15,763,559
Balances with other banks	2.48%	9,092,355	923,209	400,000	-	-	-	-	-	-	-	7,769,146
Lending to financial institutions	7.00%	7,297,519	7,297,519	-	-	-	-	-	-	-	-	-
Investments	8.77%	113,478,994	7,653,122	6,430,177	15,834,256	17,064,633	21,005,849	4,196,324	13,655,588	5,883,509	1,778,534	19,977,002
Advances	10.02%	129,063,377	4,972,570	32,325,850	3,213,125	11,904,138	16,811,622	19,526,012	9,000,066	11,562,523	19,747,471	-
Other assets		9,063,193	-	-	-	-	-	-	-	-	-	9,063,193
Liabilities												
Bills payable		283,835,797	20,923,220	39,156,027	19,047,381	28,968,771	37,817,471	23,722,336	22,655,654	17,446,032	21,526,005	52,572,900
Borrowings	6.31%	944,140	-	-	-	-	-	-	-	-	-	944,140
Deposits and other accounts	6.18%	57,063,018	17,830,088	9,081,839	4,684,697	18,679,572	-	1,079,096	2,707,726	-	-	3,000,000
Other liabilities		203,071,658	22,948,108	13,593,809	95,989,494	27,387,024	322,656	242,114	1,181,454	450,000	-	40,956,999
		9,449,525	-	-	-	-	-	-	-	-	-	9,449,525
On-balance sheet gap		270,528,341	40,778,196	22,675,648	100,674,191	46,066,596	322,656	1,321,210	3,889,180	450,000	-	54,350,664
		13,307,456	(19,854,976)	16,480,379	(81,626,810)	(17,097,825)	37,494,815	22,401,126	18,766,474	16,996,032	21,526,005	(1,777,764)
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts purchases		16,291,144	-	-	-	-	-	-	-	-	-	16,291,144
- forward foreign exchange contracts sales		22,481,606	-	-	-	-	-	-	-	-	-	22,481,606
Off-balance sheet gap		(6,190,462)	-	-	-	-	-	-	-	-	-	(6,190,462)
Total yield/interest risk sensitivity gap												
Cumulative yield / interest risk sensitivity gap												
		(19,854,976)	16,480,379	(81,626,810)	(17,097,825)	37,494,815	22,401,126	18,766,474	16,996,032	21,526,005	(1,777,764)	
		(19,854,976)	(3,374,597)	(85,001,407)	(102,099,232)	(64,604,417)	(42,203,291)	(23,436,817)	(6,440,785)	15,085,220	13,307,456	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2019												
		Exposed to Yield / Interest risk										Non-interest bearing financial instruments
Effective Yield / Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	12,137,805	3,106,434	-	-	-	-	-	-	-	-	9,031,371	
Balances with other banks	8,230,072	4,876,397	-	-	-	-	-	-	-	-	3,353,675	
Lending to financial institutions	13,863,449	11,032,102	2,831,347	-	-	-	-	-	-	-	-	
Investments	146,911,102	10,920,486	8,865,200	5,247,910	47,321,377	26,332,472	27,794,997	12,187,928	6,129,416	1,744,000	367,316	
Advances	109,742,292	21,037,592	38,020,278	3,376,286	3,063,496	1,188,836	20,737,259	12,956,218	7,809,629	1,552,697	-	
Other assets	10,768,453	-	-	-	-	-	-	-	-	-	10,768,453	
	301,653,173	50,973,011	49,716,825	8,624,196	50,384,873	27,521,308	48,532,256	25,144,146	13,939,045	3,296,697	23,520,815	
Liabilities												
Bills payable	1,172,155	-	-	-	-	-	-	-	-	-	1,172,155	
Borrowings	94,656,461	69,756,439	14,060,411	3,695,855	3,035,806	-	-	75,966	1,531,984	-	2,500,000	
Deposits and other accounts	182,167,572	20,655,100	16,063,870	40,585,176	49,895,171	8,648,760	251,095	2,609,490	137,514	-	43,321,396	
Other liabilities	14,107,711	-	-	-	-	-	-	-	-	-	14,107,711	
	292,103,899	90,411,539	30,124,281	44,281,031	52,930,977	8,648,760	251,095	2,685,456	1,669,498	-	61,101,262	
On-balance sheet gap	9,549,274	(39,438,528)	19,592,544	(35,656,835)	(2,546,104)	18,872,548	48,281,161	22,458,690	12,269,547	3,296,697	(37,580,447)	
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts purchases	9,069,099	-	-	-	-	-	-	-	-	-	9,069,099	
- forward foreign exchange contracts sales	9,957,224	-	-	-	-	-	-	-	-	-	9,957,224	
Off-balance sheet gap	(888,125)	-	-	-	-	-	-	-	-	-	(888,125)	
Total Yield / Interest Risk Sensitivity Gap		(39,438,528)	19,592,544	(35,656,835)	(2,546,104)	18,872,548	48,281,161	22,458,690	12,269,547	3,296,697	(37,580,447)	
Cumulative Yield / Interest Risk Sensitivity Gap		(39,438,528)	(19,845,984)	(55,502,819)	(58,048,923)	(39,176,375)	9,104,786	31,563,476	43,833,023	47,129,720	9,549,274	

42.4

Operational risk

The Bank of Khyber, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

BoK defines Operational Risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk."

A dedicated Operational Risk Management Department (ORMD) to maintain a system of internal controls designed to keep operational risk at appropriate levels keeping in view the Bank's financial strength, the characteristics of the activities and the market in which it operates. These internal controls are periodically updated and tested.

The Bank also has in place a Business Continuity Plan and appropriate outsourcing measures to cater to related operational risks. The Operational Risk Management department engages with Bank's business/ support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies, procedures and systems of the Bank are reviewed from the operational risk perspective, and the recommendations of ORMD are taken into consideration before their approval. ERM also performed Stress Testing for Operational Shocks for both Conventional and Islamic Banking on following scenarios: 1)Penalty due AML/CFI Violations, 2) Losses due to Shariah Non-Compliance, 3)General Operational Losses.

Currently the Bank uses the Basic Indicator Approach (BIA) for assessing its operational risk capital charge. The Bank also has an approved operational risk policy in terms of SBR BPRD circular 04 of 2014. The Bank is using Risk-Nudeus software for conducting RCSA, assigning Action Plans and reporting of Loss Data. As part of pro-active operational risk management, The Operational Risk Management Department (ORMD) has conducted Bank wide RCSA workshops. The processes were thoroughly discussed with relevant stakeholders for any control failures/lapses. Based on the results of RCSAs, adequate Key Risk Indicators (KRIs) for various business lines are also developed and mapped with various risks. An Automated solution for Incident reporting is duly in place and can be accessed by every employee of the bank for reporting of control breaches leading to losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.4.1 Operational risk-disclosures Basel II specific

Basic Indicator Approach (BIA) is used for Operational Risk under Basel II.

42.5 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. Liquidity risk is governed by the liquidity management policy of the Bank and is managed by Market and Liquidity Risk Management Department under the supervision of ALCO.

The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset and liability function. ALCO monitors the maintenance of liquidity ratios, both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. The BOD has approved comprehensive Liquidity Risk Management Policy which stipulates the early warning indicators (EWI) of liquidity risk and maintenance of various ratios according to comfortable, acceptable, warning, and stress zones. Moreover, Bank also has Contingency Funding Plan (CFP) in place to address liquidity issues in times of stress / crisis situation. In addition, ALCO and BRMC are briefed about various Liquidity Risk standards like Liquidity Coverage Ratio and its monitoring tools on periodic basis. Further the Bank has designed different scenarios of cash outflows to stress test efficiency of its liquid assets and its impact on profit and loss. Bank performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. The results are regularly reviewed by ALCO for taking appropriate measures.

Bank's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure. The Bank's large and stable base of customer deposits, along with Bank's strong capital base supplemented underlying strength and strong liquidity position during the year. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. The level of liquidity reserves as per regulatory requirements also mitigates liquidity risk.

As a part of liquidity management, the Bank maintains borrowing relationships with various financial institutions to ensure the continued access to diverse market of funding sources. The Bank's credit rating together with market reputation has enabled it to secure ample call lines with local and foreign Banks and can fulfil its liquidity gap if a need arises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.5.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

2020

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	15,840,359	15,840,359	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	9,092,355	8,117,355	-	575,000	-	-	400,000	-	-	-	-	-	-	-
Lending to financial institutions	7,297,519	-	7,297,519	-	-	-	-	-	-	-	-	-	-	-
Investments	113,478,994	880,115	-	6,482,509	994,615	6,430,177	-	19,910,831	13,730,184	36,429	27,394,561	4,371,297	20,328,838	12,919,638
Advances	129,063,377	23,654,934	266,126	29,024	2,293,575	1,683,697	2,886,229	37,103,859	1,688,907	12,518,022	1,673,768	10,760,148	25,061,061	9,444,027
Fixed assets	3,472,025	-	-	-	-	-	-	-	193,993	193,993	383,872	566,109	492,125	1,641,933
Intangible assets	532,167	-	-	-	-	-	-	-	-	-	-	-	-	532,167
Deferred tax assets	459,902	-	-	-	-	-	-	-	-	-	459,902	-	-	-
Other assets	9,063,193	120,069	720,415	840,485	1,921,108	117,437	117,437	643,316	-	-	4,582,926	-	-	-
	288,299,891	48,612,832	8,284,060	7,927,018	5,209,298	8,231,311	3,403,666	57,658,006	15,613,084	12,748,444	34,495,029	15,697,554	45,881,824	24,537,765
Liabilities														
Bills payable	944,140	944,140	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	57,063,018	468,657	17,930,088	-	1,116,696	3,503,800	6,778,586	5,099,597	-	18,722,814	-	1,000,000	2,442,780	-
Deposits and other accounts	203,071,658	1,127,125	4,528,328	24,901,245	12,620,450	18,990,266	14,956,371	25,021,411	12,458,436	29,004,193	19,058,270	18,949,844	15,488,692	5,967,027
Other liabilities	9,449,525	291,098	1,746,586	2,037,683	4,657,562	121,415	121,415	232,826	116,976	116,977	-	6,987	-	-
	270,528,341	2,831,020	24,205,002	26,938,928	18,394,708	22,615,481	21,856,372	30,353,834	12,575,412	47,843,984	19,058,270	19,956,831	17,931,472	5,967,027
Net assets	17,771,550	45,781,812	(15,920,942)	(19,011,910)	(13,185,410)	(14,384,170)	(18,452,706)	27,304,172	3,037,672	(35,095,540)	15,436,759	(4,259,277)	27,950,352	18,570,738
Share capital	10,002,524													
Reserves	3,335,048													
Unappropriated profit	3,267,017													
Surplus/(deficit) on revaluation of assets	1,166,961													
	17,771,550													

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2019

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	12,137,805	10,137,805	2,000,000	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	8,230,072	3,580,072	2,850,000	-	1,800,000	-	-	-	-	-	-	-	-	-
Lending to financial institutions	13,863,449	-	9,032,102	1,250,000	750,000	2,831,347	-	-	-	-	-	-	-	-
Investments	146,911,102	367,316	-	-	10,920,486	7,380,563	1,484,637	5,247,910	27,846,725	19,560,782	20,057,629	33,819,125	9,302,514	11,123,415
Advances	109,742,292	19,726,397	110,058	134,286	1,066,851	635,900	37,384,377	3,376,287	1,278,919	1,784,577	1,188,835	20,737,260	12,956,218	9,362,327
Fixed assets	3,334,670	1,793	10,755	12,548	28,681	53,777	53,777	161,331	161,331	161,331	609,600	311,297	286,280	1,482,169
Intangible assets	286,255	-	-	-	-	884	30	1,212	2,007	227,582	25,835	28,705	-	-
Deferred tax assets	1,031,154	-	-	-	-	-	-	-	-	-	1,031,154	-	-	-
Other assets	10,768,453	744,695	1,132,537	1,642,589	2,277,614	2,350	138,284	1,258,024	9,196	9,196	36,153	3,203,072	-	314,743
	306,305,252	34,558,078	15,135,452	3,039,423	16,843,632	10,904,821	39,061,105	10,044,764	29,298,178	21,543,468	22,949,206	58,099,459	22,545,012	22,282,654
Liabilities														
Bills payable	1,172,155	1,172,155	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	94,656,461	-	70,760,520	1,495,919	-	14,060,410	-	3,695,856	3,035,806	-	-	-	75,966	1,531,984
Deposits and other accounts	182,167,572	116,185,884	107,110	1,591,685	1,022,723	1,183,340	32,651,692	14,709,655	7,127,253	3,297,169	2,755,915	280,595	804,551	450,000
Other liabilities	14,107,711	371,199	2,227,191	2,598,390	5,939,177	4,452	4,452	381,258	71,511	71,511	-	2,438,570	-	-
	292,103,899	117,729,238	73,094,821	5,685,994	6,961,900	15,248,202	32,656,144	18,786,769	10,234,570	3,568,680	2,755,915	2,719,165	880,517	1,981,984
Net assets	14,201,353	(83,171,160)	(57,959,369)	(2,646,571)	9,881,732	(4,343,381)	6,404,961	(8,742,005)	19,063,608	18,174,788	20,193,291	55,380,294	21,664,495	20,300,670
Share capital	10,002,524													
Reserves	2,904,691													
Unappropriated profit	2,074,808													
Surplus/(deficit) on revaluation of assets	(780,670)													
	14,201,353													

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.5.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2020

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	15,840,359	15,840,359	-	-	-	-	-	-	-	-
Balances with other banks	9,092,355	8,692,355	400,000	-	-	-	-	-	-	-
Lending to financial institutions	7,297,519	7,297,519	-	-	-	-	-	-	-	-
Investments	113,478,994	7,653,122	6,881,696	15,834,256	17,101,062	28,011,717	4,574,814	20,502,688	11,141,104	1,778,535
Advances	129,063,377	4,972,570	32,325,850	3,213,125	11,904,138	16,811,622	19,526,012	9,000,066	11,562,523	19,747,471
Fixed assets	3,472,025	-	-	-	363,439	359,584	530,291	460,988	502,296	1,255,427
Intangible assets	532,167	-	-	-	-	-	-	-	532,167	-
Deferred tax assets	459,902	-	-	-	-	459,902	-	-	-	-
Other assets	9,063,193	4,176,198	210,182	575,685	7	4,101,121	-	-	-	-
	288,299,891	48,632,123	39,817,728	19,623,066	29,368,646	49,743,946	24,631,117	29,963,742	23,738,090	22,781,433
Liabilities										
Bills payable	944,140	944,140	-	-	-	-	-	-	-	-
Borrowings	57,063,018	17,830,088	12,081,839	4,684,697	18,679,572	-	1,079,096	2,707,726	-	-
Deposits and other accounts	203,071,658	63,905,107	13,593,809	95,989,494	27,387,022	322,656	242,114	1,181,456	450,000	-
Other liabilities	9,449,525	8,808,699	217,157	208,211	209,217	-	6,241	-	-	-
Net assets	270,528,341	91,488,034	25,892,805	100,882,402	46,275,811	322,656	1,327,451	3,889,182	450,000	-
	17,771,550	(42,855,911)	13,924,923	(81,259,336)	(16,907,165)	49,421,290	23,303,666	26,074,560	23,288,090	22,781,433
Share capital	10,002,524									
Reserves	3,335,048									
Unappropriated profit	3,267,017									
Surplus/(Deficit) on revaluation of assets	1,166,961									
	17,771,550									

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2019

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	12,137,805	12,137,805	-	-	-	-	-	-	-	-
Balances with other banks	8,230,072	8,230,072	-	-	-	-	-	-	-	-
Lending to financial institutions	13,863,449	11,032,102	2,831,347	-	-	-	-	-	-	-
Investments	146,911,102	8,129,215	11,832,470	3,778,408	47,950,383	20,361,263	34,433,434	9,302,514	9,379,415	1,744,000
Advances	109,742,292	14,926,055	36,448,979	3,382,312	19,523,445	1,097,406	1,097,269	22,288,280	8,253,166	2,725,380
Fixed assets	3,334,670	508,566	-	-	280,051	372,093	501,586	368,160	376,274	977,939
Intangible assets	286,255	-	914	1,212	229,589	25,835	28,705	-	-	-
Deferred tax assets	1,031,154	-	-	-	-	1,031,154	-	-	-	-
Other assets	10,768,453	5,797,436	140,633	1,258,023	18,392	36,154	3,203,072	-	314,743	-
	306,305,252	60,761,251	51,254,343	8,419,955	68,001,860	22,923,905	39,264,066	31,958,954	18,273,598	5,447,319
Liabilities										
Bills payable	1,172,155	1,172,155	-	-	-	-	-	-	-	-
Borrowings	94,656,461	72,269,480	14,060,410	3,708,899	3,061,975	52,172	52,172	180,226	1,271,127	-
Deposits and other accounts	182,167,572	63,976,496	16,063,870	40,585,176	49,895,171	8,648,760	251,095	2,609,490	137,514	-
Other liabilities	14,107,711	11,135,956	8,904	381,258	143,021	-	2,438,572	-	-	-
Net assets	292,103,899	148,554,087	30,133,184	44,675,333	53,100,167	8,700,932	2,741,839	2,789,716	1,408,641	-
	14,201,353	(87,792,836)	21,121,159	(36,255,378)	14,901,693	14,222,973	36,522,227	29,169,238	16,864,957	5,447,319
Share capital	10,002,524									
Reserves	2,904,691									
Unappropriated profit	2,074,808									
Surplus/(Deficit) on revaluation of assets	(780,670)									
	14,201,353									

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

42.6 Derivative risk

Derivatives are type of financial contract that value is determined by underlying one or more assets or benchmarks. Globally Derivatives are known and used to be very complex and risky financial instruments, however in Pakistan the banks usually operates in forwards, futures, swaps and options.

- Currently Bank of Khyber is not dedicatedly involved in Derivatives business or trading however it operates in foreign currency forwards and swaps, a type of financial derivatives. The risk/return attributes of financial derivatives are discussed.
- In our banking industry derivatives desk is operated within treasury business through competent resources in terms of adequate systems and qualified human resources.
- The responsibility to monitor and contain the risks in derivatives business resides with Enterprise Risk Management Division. The Risks associated with Financial Derivatives business are:

Credit Risk:

Credit risk refers to any default by a party involved in derivatives transaction, resulting an adverse impact on the profitability of the bank. The credit risk is further categorized into settlement and pre-settlement risks and are controlled via imposition of limits to derivatives transactions.

Market Risk:

In Pakistan mainly derivatives products are used to hedge/cover interest rate risk and exchange rate risk by taking positions in interest rate swaps, cross currency swaps and foreign currency options. These risks are controlled though taking counter positions (back to back positions) and via limits in terms of DV01 (sensitivity limit) tenor limits and investment limits.

Operational Risk:

The resources in terms of people and systems involved in the management of derivatives activities are required to be adequately qualified, trained and competent in order to avoid the losses generated through mis-handling of derivatives business.

43 Environment and social risk management / green banking

Green Banking Objective is to reduce vulnerability, of the bank from the risks arising from environment and to fulfill their responsibility to protect environment and to transform into resource efficient and climate resilient economy. Social responsibility in the financial sector has evolved and its significance has increased considerably in the past couple of decades. In order to meet the evolved social obligations, BOK has initiated various activities focusing on environmental preservation and energy conservation. For this purpose, the Bank aims to promote the concept of own impact reduction, paperless culture, carbon emissions reduction and encouraging plantation.

Being a socially responsible Bank, we are keen to provide our input in reduction of emissions, increase in awareness through environment friendly practices and reducing our own carbon footprint through establishment of Solar powered ATMs. To reduce its own impact the Bank has converted its two branches totally to renewable energy system i.e. on solar system. Twenty branches and Head Office have successfully shifted to core banking system that has made day to day operations from manual to digital. During the year, the Bank approved the Environmental Risk Avoidance List, and identified high risk areas and sectors where bank will not finance, or will finance with limitation. An undertaking consisting of Environmental Risk Covenants is now made part of the agreements with customer to legally bind the customer to comply with all the national and local environmental rules and regulations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

During the previous year, the Bank has provided renewable energy (Solar) financing facilities for households and Agriculture Business (solar tube wells), and Drip Technology based Agri financing. Branches have been instructed to use energy efficiently through managing equipment, lesser use of paper, and encouraging plantation in the vicinity of the Branches. Branches are also advised to arrange meetings in order to raise awareness among the staff regarding conservation of energy and environmental protection. Finally, marketing activities are to be carried out using digital medium such as social media. The Bank has developed digital banking solutions with an aim to integrate paperless culture within the Bank as well as among the customers.

44 EVENTS AFTER THE REPORTING DATE

The board of directors of the bank in their meeting held on March 02, 2021 has proposed a cash dividend of Rs. 1.50 per share (15%) and bonus shares in proportion of 5 shares for every 100 shares held i-e 5% in respect of 2020 (2019: cash dividend of Rs. 0.50 per share;5%) to be approved in the forthcoming Annual General Meeting.

45 GENERAL

Comparative figures have been re-arranged and reclassified for comparison purposes. Significant reclassification is as follows:

From	To	2019 'Rupees in '000
Other charges	Mark-up / return / interest expensed	
Mark up on lease liability	Mark up on lease liability	<u>151,587</u>

46 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 02, 2021 by the Board of Directors of the Bank.



Managing Director



Chief Financial Officer



Director



Director



Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal written-off	Interest / Mark-up written-off/ waived	Other Financial Relief Provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	Mr. Muhammad Amin NCS Educational System, Canal Road, Abdara, University Town, Peshawar.	Mr. Muhammad Amin CNIC 16202-0892321-7	S/o Abdul Shakoor	14.554	-	0.863	15.417	-	-	1.540	1.540
2	Mian Yahya Shah Al-Jamil House G.T. Road Nowshera	Mian Yahya Shah CNIC 17201-4420198-7	S/o Mian Jamil Shah	9.060	2.220	0.965	12.245	-	-	0.500	0.500
3	Akson College of Health Science (Pvt) Ltd Plot No. 52,53-A, Old Industrial Estate Sector D-1, Mirpur, Azad Kashmir.	1. Muhammad Akram CNIC 81302-3132895-7 2. Ali Akram CNIC 81302-2366947-9 3. Bilal Akram CNIC 81302-4896961-2	S/o Choudhry Lal Din S/o Muhammad Akram S/o Muhammad Akram	20.449	-	3.507	23.956	-	-	0.900	0.900
4	Syed Mudassar Shah Mohallah Dab # 2, Mansehra	Syed Mudassir Shah CNIC 13503-3935195-3	S/o Syed Mehrab Shah	3.134	0.326	3.974	7.434	-	-	1.731	1.731
5	Pace Pakistan Head Office 2nd & 3rd Floor, Pace Shopping Mall, Fortress Stadium, Lahore, Pakistan	1. Mrs. Amna Taseer CNIC 35201-1566773-0 2. Mr. Shehryar Ali Taseer CNIC 35021-9042306-3 3. Ms. Shehrbano Taseer CNIC 35201-2124264-0 4. Mr. Sulaiman A. Saeed Al-Hoqani 5. Mr. Imran Hafeez CNIC 35200-1439158-9 6. Syed Abid Raza CNIC 42101-4651884-1 7. Mr. Imran Saeed Chaudhary Mr. Kanwar Latafat Ali Khan CNIC 42301-8974036-9	W/o Salman Taseer S/o Salman Taseer D/o Salman Taseer S/o Ahmad Bin Said Al-Hoqani S/o Sheikh Muhammad Hafeez S/o Syed Muhammad S/o M. Saeed Chaudyar S/o Kanwar Liaqat Ali Khan	99.880	-	68.039	167.919	-	-	67.139	67.139

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Annexure - II

ISLAMIC BANKING BUSINESS

The Bank is operating 91 (2019: 84) Islamic banking branches and 39 (2019: 39) Islamic banking windows at the end of the year.

	Note	2020 Rupees in '000	2019
ASSETS			
Cash and balances with treasury banks		4,472,537	6,807,574
Balances with other banks		4,220,835	6,289,995
Due from financial institutions	1	-	4,831,347
Investments	2	18,981,353	11,602,166
Islamic financing and related assets - net	3	48,422,578	45,791,558
Fixed assets		511,040	610,038
Intangible assets		1,007	3,426
Due from head office		-	325,575
Other assets		3,733,109	4,410,288
Total Assets		80,342,459	80,671,967
LIABILITIES			
Bills payable		302,807	285,589
Due to financial institutions		10,427,385	18,891,848
Deposits and other accounts	4	58,999,639	50,079,326
Due to head office		148,459	-
Other liabilities	5	3,867,398	4,894,946
		73,745,688	74,151,709
NET ASSETS		6,596,771	6,520,258
REPRESENTED BY			
Islamic banking fund		1,000,000	460,000
Reserves		46,698	42,141
Surplus / (deficit) on revaluation of assets		10,364	(15,000)
Unappropriated profit	6	5,539,709	6,033,117
		6,596,771	6,520,258
CONTINGENCIES AND COMMITMENTS	7		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2020 is as follows:

	Note	2020 Rupees in '000	2019
Profit / return earned	8	6,326,890	6,591,437
Profit / return expensed	9	2,912,326	2,894,720
Net profit / return		3,414,564	3,696,717
OTHER INCOME			
Fee and commission income		89,145	100,509
Dividend income		590	-
Foreign exchange income		225,791	120,103
Gain on securities		21,774	4,334
Other income		67,926	49,550
		405,226	274,496
		3,819,790	3,971,213
OTHER CHARGES			
Operating expenses		1,956,646	1,618,499
Other charges		-	-
		1,956,646	1,618,499
Profit before provisions		1,863,144	2,352,714
(Provisions) / Reversals		(471,441)	3,134
Profit before taxation		1,391,703	2,355,848
Taxation		557,979	921,118
Profit after taxation		833,724	1,434,730

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020			2019		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
1 Due from financial institutions			Rupees in '000			
Call lendings	-	-	-	2,000,000	-	2,000,000
Placements with other banks	-	-	-	-	-	-
Bai muajjal receivable from State Bank of Pakistan	-	-	-	2,831,347	-	2,831,347
	-	-	-	4,831,347	-	4,831,347
2 Investments by segments:			Rupees in '000			
	Cost	Provision for diminution	Surplus	Carrying value	Cost	Provision for diminution
Federal Government Securities:						
-GoP Ijarah Sukuks	6,494,331	-	2,769	6,497,100	1,500,000	-
-Bai Muajjal	6,388,711	-	-	6,388,711	6,388,711	-
Other non-government debt securities	-	-	-	-	-	-
-Power / gas and other Sukuks	5,636,429	-	7,594	5,644,023	3,728,455	-
- Mutual Funds-HFT	450,590	-	929	451,519	-	-
	18,970,061	-	11,292	18,981,353	11,617,166	-
					(15,000)	11,602,166
3 Islamic financing and related assets			Note			
Ijarah			3.1	815,074		1,073,168
Murabaha			3.2	1,222,883		3,270,107
Diminishing Musharaka				7,892,638		5,583,883
Running Musharka				35,000,000		31,390,000
Qarz e Hasna				-		900
Istisna			3.3	4,076,517		4,611,792
Other				25,199		-
Gross Islamic financing and related assets				49,032,311		45,929,850
Less: provision against Islamic financings						
- Specific				241,434		123,020
- General				368,299		15,272
				609,733		138,292
Islamic financing and related assets - net of provision				48,422,578		45,791,558
3.1 Ijarah						
Under IFAS-II			3.1.1	810,553		1,058,738
Under finance method			3.1.2	4,521		5,516
				815,074		1,064,254
Assets/inventory				-		8,914
				815,074		1,073,168

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3.1.1 Ijarah under IFAS-II	2020						
	As at January 01, 2020	Cost Additions / (deletions)	As at December 31, 2020	As at January 01, 2020	Depreciation Charge for the year	As at December 31, 2020	Book value as at December 31, 2020
	Rupees in '000						
Plant and machinery	541,635	(49,792)	491,843	177,732	48,786	226,518	265,325
Vehicles	1,253,710	(191,856)	1,061,854	559,418	(42,271)	517,147	544,707
Housing	1,536		1,536	993	22	1,015	521
Total	1,796,881	(241,648)	1,555,233	738,143	6,537	744,680	810,553

3.1.2 Future Ijarah rental receivable	2019						
	As at January 01, 2019	Cost Additions / (deletions)	As at December 31, 2019	As at January 01, 2019	Depreciation Charge for the year	As at December 31, 2019	Book value as at December 31, 2019
	Rupees in '000						
Plant and Machinery	560,194	(18,559)	541,635	215,034	(37,302)	177,732	363,903
Vehicles	1,176,993	76,717	1,253,710	398,119	161,299	559,418	694,292
Housing	4,894	(3,358)	1,536	4,390	(3,397)	993	543
Total	1,742,081	54,800	1,796,881	617,543	120,600	738,143	1,058,738

Ijarah assets under IFAS-2 are stated at cost of Rs. 1,555,233 million (2019: Rs. 1,796,881 million) less accumulated depreciation of Rs. 744,680 million (2019: Rs. 738,143 million) in accordance with the SBP letter no. BPRD/BRDL-04/2008-6268.

3.1.2 Net investment in Ijarah under finance method	2020						
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years
	Rupees in '000						
Ijarah rentals receivable	3,738	1,178	-	4,916	4,969	1,178	-
Residual value	15	20	-	35	441	20	-
Minimum Ijarah rentals	3,753	1,198	-	4,951	5,410	1,198	-
Profit for future periods	(139)	(291)	-	(430)	(801)	(291)	-
Ijarah under finance method	3,614	907	-	4,521	4,609	907	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 Rupees in '000	2019
3.2 Murabaha			
Murabaha financing	3.2.1	1,081,627	2,755,468
Advances for Murabaha		141,256	514,639
		1,222,883	3,270,107
3.2.1 Murabaha receivable - gross	3.2.2	1,081,627	2,755,468
Less: Deferred Murabaha income	3.2.4	88,581	134,309
Profit receivable shown in other assets		4,286	4,286
Murabaha financings		997,332	2,625,445
3.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		2,755,468	2,946,872
Sales during the year		4,367,079	5,661,873
Adjusted during the year		6,040,920	5,853,277
Closing balance		1,081,627	2,755,468
3.2.3 Murabaha sale price		4,382,056	5,661,873
Murabaha purchase price		4,213,914	5,306,014
		168,142	355,859
3.2.4 Deferred murabaha income			
Opening balance		134,309	117,498
Arising during the year		160,175	355,870
Less: Recognized during the year		205,903	339,059
Closing balance		88,581	134,309
3.3 Istisna			
Advance against Istisna		3,426,146	4,061,792
Istisna Inventory		50,000	350,000
Istisna sales receivable		600,371	200,000
		4,076,517	4,611,792

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

4	Deposits	2020			2019		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
		Rupees in '000					
	Customers						
	Current deposits	17,032,205	49,082	17,081,287	17,920,864	57,675	17,978,539
	Savings deposits	33,133,849	-	33,133,849	26,336,004	-	26,336,004
	Term deposits	4,862,236	-	4,862,236	3,087,502	-	3,087,502
	Others	1,853,437	-	1,853,437	2,490,098	-	2,490,098
	Financial Institutions						
	Current deposits	481	-	481	499	-	499
	Savings deposits	2,068,349	-	2,068,349	186,684	-	186,684
		58,950,557	49,082	58,999,639	50,021,651	57,675	50,079,326
4.1	Composition of deposits				2020 2019		
		Rupees in '000					
	- Individuals				24,151,838		16,221,670
	- Government / public sector entities				19,499,142		21,096,099
	- Non-banking financial institutions				2,068,830		186,937
	- Private Sector				13,279,829		12,574,620
					58,999,639		50,079,326

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 29,687 million (2019: Rs 25,248 million) as of December 31, 2020.

		2020	2019
		Rupees in '000	
5	Other liabilities	Note	
	Profit payable in local currency		239,828
	Pool Management Reserves		103,444
	Un-earned commission and income		14,585
	Accrued expenses		663,917
	Deferred income murabaha		98,239
	Un-earned Bai Muajjal Sukuk		985,026
	Security deposit against Ijarah		294,956
	Charity fund	5.1	10,227
	Tax payable		558,021
	Lease liability		346,081
	Bills payment system over the counter (BPS-OTC)		527,007
	Income reserve		8,622
	Others		17,445
			3,867,398
			4,894,946
5.1	Charity fund		
	Opening balance		21,594
	Additions during the year		
	Received from customers on account of delayed payment	9,610	30,752
	Dividend purification amount	-	-
	Other Non-Shariah compliant income	1,051	174
	Others	1,300	1,629
		11,961	32,555
	Payments / utilization during the year		
	Welfare	23,328	20,117
	Health	-	-
		23,328	20,117
	Closing balance	10,227	21,594
6	Islamic banking business unappropriated profit		
	Opening balance	6,033,117	4,598,387
	Add: Islamic banking profit for the year	1,391,703	2,355,848
	Less: Taxation	(557,979)	(921,118)
	Less: Transferred to HO	(1,327,132)	-
	Closing balance	5,539,709	6,033,117
7	Contingencies and commitments		
	-Guarantees	3,765,062	5,270,767
	-Commitments	864,538	1,028,102
		4,629,600	6,298,869

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
8	Profit/return earned of financing, investments and placement	Rupees in '000	
	Profit earned on:		
	Financing	4,536,049	4,800,688
	Investments	1,629,592	1,369,854
	Placements	161,249	420,895
		6,326,890	6,591,437
9	Profit on deposits and other dues expensed		
	Deposits and other accounts	2,093,577	2,104,426
	Due to Financial Institutions	773,072	735,161
	Unwinding of discount - IFRS 16	45,677	55,133
		2,912,326	2,894,720

10 Pool management

Islamic Banking Group of the Bank is operating following pools/sub-pools.

General pool

Sub-pools

- i. Riba free special deposit pool - 1
- ii. Riba free special deposit pool - Treasury Interbank
- iii. Riba free special deposit pool - Corporate - I
- iv. Riba free special deposit pool - Corporate II
- v. Riba free special deposit pool - Corporate III
- vi. Riba free special deposit pool - Corporate IV
- vii. Riba free special deposit pool - Corporate V
- viii. Riba free special deposit pool - Mutual fund / FI
- ix. RFSD - Daily Product - 1 pool
- x. RFSD - Daily Product - 3 pool
- xi. RFSD - Daily Product - 4 pool
- xii. RFSD - Daily Product - 5 pool
- xiii. Khyber Islamic Investment Certificates-1
- xiv. Khyber Islamic Investment Certificates-2
- xv. RFSD - Itminan Mahana Certificate - pool
- xvi. Riba free special deposit pool - Islamic export refinance security (IERS)
- xvii. Riba free special deposit pool - Profit Equalization Reserves (PER)
- xviii. Riba free special deposit pool - Investment Risk Reserves (IRR)

Features of general pool

In this pool all types of deposits are accepted on Musharakah basis against all types of assets and income from all types of assets. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharakah, Running Musharakah, Istisna, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. Deposits are accepted through all BOK Islamic branches, as well as, Islamic desks established in Conventional branches of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Features of sub-pools

In sub pools, deposits are accepted on Musharakah basis against specific assets and are offered expected profit rates. Certificates can also be issued for a fixed period.

Deposits received in this pool are invested in Islamic assets like Ijarah, Diminishing Musharakah, Running Musharakah, Islamic Sukuks and any other Shariah Compliant investment which are duly approved by the Shariah Advisor. Deposits are accepted through all Islamic branches of the Bank as well as Islamic desks established in conventional branches of the Bank.

These deposits are tagged with specific assets and deposits are accepted only when there is some opportunity of investment. These deposits require approval before acceptance.

Key features

- Minimum investment is prescribed by the Bank for each sub-pool.
- Profit payment on monthly basis.
- Profit calculated on daily average balance for the month.
- Investment as deposit and certificate for 1 month, 3 months and 6 months etc.
- Pre-mature termination is allowed without any adjustment if expected profit reduces for the coming months.

Risks of the special sub - pools

All special pools are created as sub pools of the general pool. All administrative expenses of the pools are borne by the general pool as equity contributor. However, depositors bear the risk of all direct losses and expenses of the pool. All residual income of the pool is transferred to the general pool being equity holders.

Profit sharing and weightages for distribution of profit

Assignment of weightage for profit distribution to different types of profit bearing sources of funds is as follows:

While considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by following factors:

- i. Period of investment (number of months, years)
- ii. Profit payment option (monthly, quarterly, yearly maturity)
- iii. Purpose of deposit (Hajj, Umrah etc.)
- iv. Type of customer (pensioners, widows, corporate, individual)

Weightages are declared five days before start of each month.

As per policy of the Bank, No gift (Hiba) is given in favour of any particular customer or a particular class or category of customers/investors. However, bank reduced its own share of the bank's additional profit which is less than 60% of the Bank's additional profit ratio. The total Hiba amount Rs. 19.6 million (1.43%) is distributed during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Brief highlights of profit earned and distributed to depositors and retained by IBG are as under:

	2020	2019
	Rupees in '000	
Gross profit earned	6,732,116	6,865,933
Administrative expenses	1,956,646	1,673,632
Distributable share	4,775,470	5,192,301
Profit paid to IAH/PLS depositors	2,912,326	2,839,587

Charging expenses

All types of administrative expenses are shared with the depositors. However, equity holders have the option to absorb all or part of administrative expenses.

All general and specific provisions created against non-performing financing and diminution in the value of investment as under prudential regulations and other SBP directives have not been passed on to the PLS deposits as expense. However, income reversals due to classification of assets and losses due to actual write-off of any facility have been considered expenses of the pool.

Profit Equalization Reserve of Rs. 46.698 million (December 31, 2019:Rs. 42.141 million) is not available for the distribution of cash and stock dividend to the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Classification of assets, revenues, expenses, gain and loss on the basis of sources of finance:

All earning assets of Islamic banking group are jointly financed by unrestricted investments/PLS deposits account holders and the Bank. Detail of jointly financed earning assets is:

	2020	2019
	Rupees in '000	
Financings		
Agribusiness	588,645	1,019,877
Marble and mining	-	10,710
Chemical and pharmaceuticals	505,134	667,738
Cement	3,250,295	3,222,372
Textile	3,796,825	2,317,796
Automobile and transportation equipment	276,658	409,526
Petro chemical	17,872	4,905
Housing	615,303	378,658
Miscellaneous manufacturing	2,641,315	2,403,675
Personal	558,223	427,192
Contractors	-	403,974
Tradings	1,153,490	632,435
Services	174,578	204,814
Auto loans	317,501	480,027
Metal products	892,857	771,186
Commodity finance	33,674,999	30,000,000
CNG station / gas	37,238	41,689
Consumer finance	173,914	175,991
Others	357,464	2,357,283
	49,032,311	45,929,848
Investments		
GOP Ijarah Sukuk	6,497,100	1,485,000
Bai Muajjal	6,388,711	6,388,711
Power / electric / gas	5,644,023	3,728,455
Others	451,519	-
	18,981,353	11,602,166
	68,013,664	57,532,014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Annexure - III

Quality of available for sale securities - Ordinary shares	2020		2019	
	Cost	Market value	Cost	Market value
Listed Companies	Rupees in '000			
Automobile parts and accessories	-	-	-	-
Cable and Electrical Goods	3,996	4,013	-	-
Cement	14,071	14,343	6,211	5,785
Chemical	6,024	6,087	6	72
Commercial Banks	47,191	45,114	15,478	14,935
Engineering	23,019	23,567	-	-
Fertilizer	80,205	77,343	8,243	8,445
Food and personal care products	5	131	5	131
Glass & Ceramics	2,429	2,736	-	-
Insurance	5,000	-	5,000	-
Investment banks / Investment Companies /	274,685	93,359	-	-
Leather and Tanneries	-	-	-	-
Oil and Gas Exploration Companies	38,657	36,459	-	-
Investment Security Companies	-	-	274,685	111,021
Oil and gas marketing companies	15,086	12,114	63,526	61,179
Paper and board	-	297	-	99
Power Generation and Distribution	16,047	16,206	-	-
Pharmaceuticals	-	-	64,082	52,847
Refinery Ltd	-	-	-	-
Textile composite	15	200	9,502	182
Textile spinning	23	298	23	228
Textile weaving	-	478	-	79
Vanaspati and allied industries	-	16	-	17
	526,453	332,761	446,761	255,020

The above list excludes the shares held by the Bank which are carried at Nil value.

Un-Listed Companies	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Dawood Family Takaful	112,500	56,250	112,500	56,526
Saudi Pak Leasing - Preference Shares	195,000	-	195,000	-
Mohib Textile Mills Limited	25,000	-	25,000	-
Mohib Exports Limited	487	-	487	-
Asian Housing Finance Limited	5,000	-	5,000	-
Caravan East Fabric Limited	9,487	-	-	-
Syed Match Company Limited	7	7	7	7
Total	347,481	56,257	337,994	56,533

* Break-up values are not given as the same are not available.

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2020

NO OF SHAREHOLDERS	--- HAVING SHARES ---		SHARES HELD	PERCENTAGE
	From	To		
858	1	100	38606	0.0039
9865	101	500	1810278	0.1810
14943	501	1000	13583568	1.3579
2162	1001	5000	4496484	0.4495
125	5001	10000	890678	0.0890
40	10001	15000	485938	0.0486
37	15001	20000	619718	0.0619
11	20001	25000	243913	0.0244
6	25001	30000	166289	0.0166
5	30001	35000	164496	0.0164
2	35001	40000	74988	0.0075
4	40001	45000	167426	0.0167
3	45001	50000	142125	0.0142
3	50001	55000	164108	0.0164
1	55001	60000	55615	0.0056
1	60001	65000	62268	0.0062
2	65001	70000	133426	0.0133
2	75001	80000	159381	0.0159
2	80001	85000	166454	0.0166
1	95001	100000	100000	0.0100
1	105001	110000	109400	0.0109
1	110001	115000	111315	0.0111
1	135001	140000	136760	0.0137
1	240001	245000	243130	0.0243
2	275001	280000	554840	0.0555
1	695001	700000	700000	0.0700
1	1075001	1080000	1075172	0.1075
1	7915001	7920000	7916656	0.7914
1	19250001	19255000	19250871	1.9244
1	244335001	244340000	244339031	24.4248
1	702205001	702210000	702208233	70.1948
28085			1000371167	100.0000

CATEGORY OF SHAREHOLDERS

AS AT DECEMBER 31, 2020

	No of shareholders	Shares Held	Percentage
Directors, CEO & Children	4	7,963,124	0.80
Associated Companies	1	244,339,031	24.42
Banks, DFI & NBFI	5	73,617	0.00
Insurance Companies	2	18,234	0.00
General Public (Local)	27,993	44,270,758	4.43
General Public (Foreign)	43	125,480	0.01
Others	36	1,372,690	0.14
Government of Khyber Pakhtunkhwa	1	702,208,233	70.20
Total	28,085	1,000,371,167	100.00
Shareholding of Directors, CEO & Children			
Maqsood Ismail Ahmad	7,916,656		
Asad Muhammad Iqbal	18,234		
Javed Akhtar	18,234		
Rashid Ali Khan	10,000		
Shareholding of Banks, DFI & NBFI			
Pakistan Industrial & Commercial Leasing Ltd.	2,431		
Prudential Discount & Guarantee House Ltd.	22,792		
Soneri Bank Limited	15,279		
Pakistan Industrial & Comm. Leasing Ltd.	21,881		
Escorts Investment Bank Limited	11,234		
Shareholding of Insurance Companies			
TPL Insurance Limited	15,195		
The Pakistan General Ins. Co. Ltd	3,039		
Major Shareholders			
Government of Khyber Pakhtunkhwa	702,208,233		
Ismail Industries Ltd.	244,339,031		

BRANCH NETWORK

DETAILS OF COMMERCIAL BANK'S BRANCHES, SUB-BRANCHES, PERMANENT BOOTHS

AS OF DECEMBER 31, 2020

Sr. No.	Branch/Booth Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	FAX Number
1	Peshawar, Main Corporate Branch	Shop No. 1 to 6 (Ground Floor) and Office No. 1 to 3 (First Floor), Olympic Plaza, Qayyum Stadium, Bara Road, Peshawar Cantt.	Conventional	0001	KPK	(091) 5252060, 5252137, 5252142	-
2	Peshawar, University Road	Ghaffar Plaza, Adjacent to Sheraz Restaurant, University Road, Peshawar	Conventional	0002	KPK	(091) 5701741, 5701743	(091)5701742
3	North West, Hospital	Plot No.7-9, Sector A-3,Phase-5, North West Hospital, Hayatabad, Peshawar	Conventional Sub-Branch	0002	KPK		
4	Kohat, Bannu Road	Cantonment Plaza Bannu Road, Kohat	Conventional	0003	KPK	(0922) 9260146,	(0922)9260156
5	D. I. Khan Branch	Circular Road, D.I.Khan	Conventional	0004	KPK	(0966)718098	(0966)718099
6	Mardan, Chamber House	Chamber House, Aiwan-e-Sanat- o- Tijarat, Collage Chowk	Conventional	0007	KPK	(0937)9230505, 9230707, 874899	(0937)9230606
7	Peshawar, G. T. Road	Ground Floor, Afandi Tower, Bilal Town, G.T. Road, Peshawar	Conventional	0010	KPK	(091)2263414, (091)2612050-51	(091)2263411
8	Chitral Branch	Ataliq Bazar, Chitral.	Conventional	0011	KPK	(0943)414567, 412473, 414511	(0943)412220
9	Mingora Branch	Ground Floor, Yousuf Plaza, Khasra No.318,Makan Bagh,Saidu Sharif Road, Mingora, Swat	Conventional	0012	KPK	(0946) 9240045-7	(0946)9240046
10	Saddar Road, Peshawar	Shop No.9,10 & 11, at Super Market, Adjacent State Bank of Pakistan Peshawar, Saddar Road, Peshawar	Conventional	0013	KPK	(091) 5276485, (091)5273912	(091)5277278
11	Hattar Branch	Industrial Estate Hattar, Haripur	Conventional	0014	KPK	(0995) 617231, 617631	(0995)617631
12	Pak Austria Fachhochschule institute, Haripur	Pak Austria Fachhochschule Institute of Applied Science and Technology, Mang, haripur	Conventional Sub-Branch	0014	KPK		
13	Civil Secretariat, Peshawar	Civil Secretariat , Peshawar	Conventional	0015	KPK	(091)9211710	(091)9212680
14	Khyber Bazar, Peshawar	Shop No, 1,2 & 3, Saadat Market, Suikarno Square, Khyber Bazar, Peshawar.	Conventional	0016	KPK	(091) 2568782, (091)2593705	(091)2211170
15	Haripur Branch	Shahrah-e-Hazara, Haripur.	Conventional	0019	KPK	(0995) 610728, 616800	(0995)611285
16	Blue area, Islamabad	38-Zahoor Plaza, Blue Area, Islamabad.	Conventional	0022	Capital Territory	(051) 2824691, 2277397	(051)28253434
17	M.M. Alam Road, Lahore	Ali Trade Centre, Property No.99&100-A, Block B/1 M.M. Alam Road, Lahore ,Gulberg-III, Lahore.	Conventional	0023	Punjab	042-99332388, 042-99332389	(042) 35872013
18	Shahrah-e-Faisal Karachi	Ebrahim Alibhai Tower, Shop No.02, Plot No.03, Block-7/8 Modern Cooperative Housing Society (MCHS), Shahrah-e-Faisal, Karachi	Conventional	0024	Sindh	(021) 34389031-3 34389036-8	(021) 34389039
19	Ashraf Road, Peshawar	New Rampura Gate, Ashraf Road, Peshawar.	Conventional	0025	KPK	(091)2553007, (091)2553989	(091)2552497
20	Muzaffar Abad (AJ&K)	Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir	Conventional	0027	AJK	(05822) 920492	(05822)920499
21	Satellite Town , Rawalpindi	B-212, Satellite Town 4th Road, TMA Rawal Town Rawalpindi.	Conventional	0030	Punjab	(051)4571084, 4571085, 4571086	(051) 4571083
22	Johar Town Lahore	Property#891,Block -R-1, M.A. Johar Town, Lahore	Conventional	0031	Punjab	(042)35316744-45	(042) 35316746
23	Sialkot Branch	Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot	Conventional	0032	Punjab	(052)3559225-27	(052)3559224
24	Multan, Abdali Road	Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.	Conventional	0033	Punjab	(061)4545141-42	(061) 4545143

BRANCH NETWORK

Sr. No.	Branch/Booth Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	FAX Number
25	Shireen Jinnah Colony Karachi	Block-1, Clifton, Shireen Jinnah Colony Karachi	Conventional	0034	Sindh	(021)35873264-66	(021)35873267
26	Mirpur Branch	Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, Azad Jammu Kashmir	Conventional	0035	AJK	(05827) 447687	(05827) 447685
27	Pakistan Stock Exchange Branch	Room No.204-205, 2nd Floor, New Pakistan Stock Exchange Building, Pakistan Stock Exchange Road, Karachi.	Conventional	0036	Sindh	(021)32465804-8	(021)32465805
28	G. T. Road, Gujrat	Property No.1157/527,Ground Floor, Empire Centre, G.T. Road Gujrat	Conventional	0037	Punjab	(053)-3726148, 3726150, 3726151	-
29	Sosaan Road Faisalabad	Plot No.245-C,Ground & 1st Floor, Madina Town, Sosaan Road, Faisalabad	Conventional	0038	Punjab	(041)- 8556201, (041)-8556202	(041)-8556203
30	G.T. Road, Gujranwala	Property No.BXII-75-157, Bank Square, Main G. T. Road Gujranwala	Conventional	0039	Punjab	(055)3730916-18, 3820917	(055)3820918
31	Bank Square Havelian	Property # 4242, Bank Square Havelian	Conventional	0040	KPK	(0992) 810733, 810732	(0992) 810736
32	Sargodha	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	Conventional	0041	Punjab	(048)3740893, 3740894	(048)3740891
33	Jhelum	225/226, Koh-i-Noor Plaza, Old GTS Road, Jhelum Cantt.	Conventional	0042	Punjab	(0544)9270163-64-66	(0544)9270165
34	Abbottabad, Mansehra Road	934-A, Mansehra Road, Abbottabad	Conventional	0043	KPK	(0992)331913, (0992)331914, (0992)331915	(0992)331916
35	Chiniot	Faisalabad Road, Near Tehsil Chowk, Chiniot	Conventional	0044	Punjab	(047) 6333396, 6333394	(047)6333397
36	Sahiwal Branch	272/B-2 High Street, Sahiwal.	Conventional	0045	Punjab	(040) 4222404, 4222448	(040)4222403
37	Clifton Branch Karachi	Shop No.7,8 & 9 Plot # G-10, Garnet Centre, Block-8, Main Road, KDA Scheme # 5, Clifton Cantonment, Karachi	Conventional	0046	Sindh	(021)35296293	(021)35296291
38	Hyderabad Branch	Plot No.41/444,445,446,447,448 & 449, Main Bohri Bazar, Near Blair Hospital, Saddar Cantt., Hyderabad.	Conventional	0047	Sindh	(022)2731198, (022)2731200, (022)2731202-3, (022)2731209-10	(022)2731211
39	High Court Branch	Peshawar High Court Branch, Khyber Road, Peshawar	Conventional	0048	KPK	(091)5274368, (091)5275368).	(091)5274168
40	Provincial Assembly Branch	KPK Provincial Assembly Building, Khyber Road, Peshawar	Conventional Sub-Branch	0048	KPK		
41	Karak Branch	Khasra No. 1327/1364, Mian Muqadess Gul Market, Main Bazar, Karak	Conventional	0049	KPK	(0927) 211810-12	(0927) 211813
42	Khushal Khan Khattak University Karak	Khushal Khan Khattak University, Opposite Tableegi Markaz, Karak	Conventional Sub-Branch	0049	KPK		
43	Bahawalpur	Property No.1605/15, Circular Road, Library Chowk, Bahawalpur	Conventional	0050	Punjab	(062) 2887531-35	(062) 2887532
44	Rahim Yar Khan	Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan	Conventional	0051	Punjab	(068)5870182, 5870183, 5870184	(068)5870185
45	DHA Lahore	Plot No.178, Block-Y, DHA, Lahore Cantt.	Conventional	0052	Punjab	(042) 35741073-6	(042) 35741077
46	Jutial Cantt. Gilgit	Shop No.1 to 6, ZS Plaza, Opposite Radio Pakistan, Shahrah-e-Quaid-e-Azam, Jutial Cantt. Gilgit	Conventional	0053	GB	(05811)922082-3	(05811)922084
47	Quetta, Shahra-e-Iqbal	"Shahra-e-Iqbal (Khasra no.205), Qandhari Bazar, Quetta.	Conventional	0054	Baluchistan	(081) 2834951, 2834955	(081) 2834952
48	Islamabad, PWD Society	Plot No.786-G, Block-C, PWD Society, Islamabad	Conventional	0055	Capital Territory	(051) 5170901-2 & 4	(051) 5170903
49	D.G. Khan, Railway Road	Plot No.5, Dawood Plaza, Railway Road, Dera Ghazi Khan	Conventional	0056	Punjab	(0642) 470871-4	(0642) 470875
50	Lahore, Faysal Town	Plot No.811, Block C, Faysal Town, Lahore	Conventional	0057	Punjab	(042) 35160472, (042) 35160474-8	(042)35160473

Sr. No.	Branch/Booth Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	FAX Number
51	Sukkur	Property No.D-986, D-987, D-971, Hussaini Road, Sukkur	Conventional	0058	Sindh	(071)5617057-58-59	(071)5617056
52	Sadiqabad	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	Conventional	0059	Punjab	(068)5801261-62-63	(068)5801264
53	Khanewal	Property No.32, Paracha Hospital, Adjacent JS Bank, College Road, Khanewal	Conventional	0060	Punjab	(065)2556431-2	(065)2556433
54	Mian Channu	Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal	Conventional	0061	Punjab	(065) 2661871-72	(065) 2661870
55	Gujar Khan	Shop No.6-8, Ward No.5, Near Ali Hospital, Main G.T. Road, Gujar Khan	Conventional	0062	Punjab	(051)3511822-23	(051)3511824
56	Karachi, DHA, Phase-II	C-89-D,12th Commercial Street, Phase 2-Ext, D.H.A. (Khyaban-e-Jami), Karachi	Conventional	0063	Sindh	(021)35890171-4	(021)35890175
57	Kotli (AJK)	Commercial Property, Khasra No.579, Bank Road, Kotli	Conventional	0064	AJK	(05826) 448673-74-75	(05826) 448679
58	Attock City	Property No.B-V-99, Committee No.E-3, Railway Park Chowk, Attock City	Conventional	0065	Punjab	(057)2602378, (057)2602379	(057)2602378
59	Peshawar, Warsak Road	Khasra No.6184/2893, Shop No.1, Sabir Business Center, Warsak Road, Peshawar	Conventional	0066	KPK	(091) 5201303, (091) 5201301	(091) 5201341
60	Sharfabad Karachi, (Bahadurabad)	Shop No.4&5, Sumya Tower Plot No 15/3, Block 3, BMCH, Main Jamal Ud Din Afghani Road (Sharfabad) Karachi.	Conventional	0067	Sindh	(021)34946751-52-54-55	(021)34946753
61	Peshawar, Shami Road	Shop No.6-10, Garrison Park, Shami Road, Peshawar	Conventional	0068	KPK	(091)5270270-71	(091)5613913
62	Lahore, Badami Bagh	Plot No.119, Auto Market, Badami Bagh, Lahore	Conventional	0069	Punjab	(042) 37731631-2-3	(042) 37731634
63	Jhang	Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road, Jhang	Conventional	0070	Punjab	(047) 7622180, 7622181, 7622183	(047) 7622182
64	Daska	Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot	Conventional	0071	Punjab	(052) 6612324-6	(052) 6612327
65	Karachi, Napier Road	Shop No.07 & Office No.117, Yousuf Trader Centre, Plot No.26, SR-7, Ground & 1st Floor, Napier Road, Karachi	Conventional	0072	Sindh	(021)32601371-2, 32601374-5	(021)32601373
66	Peshawar, Dalazak Road	Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshawar.	Conventional	0073	KPK	(091)2608216	(091) 2608218
67	Charsadda Road Branch.	Khasra No. 1615/832, Adjacent Khayali CNG Station, Shero Jhangi, Charsadda Road, Peshawar.	Conventional	0074	KPK	(091)2246684, (091)2246685	(091)2246683
68	Bannu, D.I.Khan Road.	University Plaza, D.I.Khan Road, Bannu.	Conventional	0075	KPK	(0928)611172, (0928)611175	(0928)611174
69	University of Science and Technology Bannu	University of Science and Technology Main Campus, Township, Bannu	Conventional Sub-Branch	0075	KPK		
70	Parachinar	Shop No. 1 to 5 Ground Floor, Haji Safdar Market, School Road, Parachinar.	Conventional	0076	KPK	(0926) 312272-74	(0926) 312275
71	Yar Hussain, Swabi	Akbar Building, intiqal No. 3422, Main Bazar, Yar Hussain, Swabi.	Conventional	0077	KPK	(0938) 460027, (0938) 460028, (0938) 460047.	(0938) 460029
72	Umarzai, Charsadda	Khasra No. 4011/3485 & 4012/3486, Major Saeed Khan Market, Main Bazar, Umarzai.	Conventional	0078	KPK	(0916) 952506, (0916) 952507	(0916) 952531
73	Sheikh Maltoon, Mardan	Shop No. 25,26,27,28,29 & 31, Commercial Plaza Sector-E, Sheikh Maltoon Town, Mardan.	Conventional	0079	KPK	(0937) 843111, 843222	(0937) 843225
74	Abdul Wali Khan University Mardan	Abdul Wali Khan University, garden Campus, Mardan	Conventional Sub-Branch	0079	KPK		
75	Shergarh, Mardan	Groud floor, Asghar Khan Market, Main Bazar, Shergarh, Mardan.	Conventional	0080	KPK	(0937) 820271-74, 820436.	(0937) 820437
76	Katlang, Mardan	Inteqal No. 5038, Imam Shah Market, Main Bazar, Tehsil Katlang, District Mardan	Conventional	0081	KPK	(0937) 576005, (0937) 576006	(0937) 576004

BRANCH NETWORK

Sr. No.	Branch/Booth Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	FAX Number
77	Sherkot, Kohat	Khasra No. 315, Mujahid & Brothers Market, Sherkot Tehsil & District Kohat	Conventional	0082	KPK	(0922) 580111, (0922) 580888, (0922) 580666.	-
78	Hayatabad Phase-V, Peshawar	Ground Floor, Plot No. 28, Sector B-1, Phase-V, Hayatabad, Peshawar	Conventional	0083	KPK	091-5814846-47	-
79	PIC, Hayatabad, Peshawar	Peshawar Institute of Cardiology, Hayatabad, Peshawar	Conventional Sub-Branch	0083	KPK		
80	Chamkani, Peshawar	Khasra No. 156 & 157, Honey Market, Hidayatabad Chamkani, Peshawar.	Conventional	0084	KPK	(091) 2604922	-
81	Tordher Swabi.	Khasra No.1751, Main Swabi Jehangira Road Matani Changan Tordher, Swabi.	Conventional	0085	KPK	0938-537116, 0938-537118	0938-537119
82	Darosh, Chitral	Main Darosh Bazaar, Zero Point Chitral.	Conventional	0086	KPK	0943-480261, 480262, 480263	0943-480264
83	Sheikh Yousaf Adda, D.I.Khan.	Khasra No.1007/529, Sheikh Yousaf Adda, Opposite Punjab Collage, Bannu Road, D.I.Khan.	Conventional	0087	KPK	0966-740316, 740317	0966-740318
84	Sardheri Branch, Charsadda	Maroof Khel, Sardheri Bazar Tehsil & District Charsadda	Conventional	0088	KPK	091-6644001,6644002	091-6644003
85	Judicial Complex, Sardheri, Charsadda	Judicial Complex Sardheri, Malkan Dher Khula Dher, Charsadda	Conventional Sub-Branch	0088	KPK		
86	Lundkhar Branch, Mardan	Ramora Lundkhar, Tehsil Takht Bhai, District Mardan	Conventional	0089	KPK	0937- 850131, 850132, 850134	0937-850133
87	Sadda Branch, Kurram Agency	Bangash Market Main Bazar Sadda, Tehsil Lower Kurram, District Kurram Agency	Conventional	0091	KPK	0926-520424,520425	0926-520426
88	Kohat Road Branch, Peshawar	Marjan Hotel, Mauza Kotla Mohsin Khan, Kohat Road, Peshawar.	Conventional	0092	KPK	091-2323696-2323695	091-2324671
89	Kuza Bandai Branch, Swat	Shop No.1-6, Hamas Khan Market, Matta Road, Kuza Bandai, Tehsil Kabal, District Swat	Conventional	0093	KPK	0946-880411	0946-880445
90	Gawadar	Main Bazar, Airport Road, Adjacent to Sahil Hotel, Gawadar.	Conventional	0095	Baluchistan	0333-7938835	-
91	Nasir Bagh, Peshawar	Police Employees Co-Housing Society, Nasir Bagh, Peshawar	Conventional	0096	KPK	0333-9218330, 0346-9156078	-
92	Judicial Complex, GT Road Haripur	Judicial Complex, District Courts, GT Road, Opposite Post Graduate College for Boys, Haripur.	Conventional	0097	KPK	(0995) 321198-99, 321197, 321196	-
93	Angoor Adda,	Main Bazar Angoor Adda, Tehsil Birmil, District South Waziristan.	Conventional	0099	KPK	0320-9667735	-
94	Gomal University D.I.Khan	Gomal University, Indus Highway, DI Khan City, Dera Ismail Khan	Conventional	0302	KPK	0966-750151-52	0966-750153
95	KIMS+KDA Kohat	Khyber Medical University Institute of Medical Sciences, DHQ Teaching Hospital, Kohat Development Authority, Kohat	Conventional	0303	KPK	0333-9294541	-
96	Hayatabad	Royal Plaza, Hayatabad, Bara Market, Jamrud Road, Peshawar.	Islamic	0101	KPK	(091) 5830673	(091) 5824927
97	Jinnah Road Quetta	Jinnah Road, Quetta	Islamic	0102	Baluchistan	(081) 2822141,2843203	(081)2829469
98	Bannu	Old GTS Chowk, Gowshala Road, Bannu	Islamic	0103	KPK	(0928) 612202, 613222, 613394	(0928)621429
99	Nowshera	Saad Plaza, Saddar Bazar, Nowshera	Islamic	0104	KPK	(0923) 9220035, 9220038	(0923)613530
100	Timergara	Shaheed Plaza, Ground Floor, Alamzeb Shaheed Chowk, Timergara	Islamic	0105	KPK	(0945)824290, (0945)822090	(0945)822690
101	Tank	Gillani Market, Main Bazar Opposite DHQ Hospital, Tank	Islamic	0106	KPK	(0963) 510068	(0963) 510400
102	Hangu	Opposite DCO Office, Main Bazar, Kohat Road, Hangu	Islamic	0107	KPK	(0925) 621744, 613394	(0925)623744

Sr. No.	Branch/Booth Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	FAX Number
103	Batkheela	Khyber Market, Main Bazaar, Near Old Govt Girl High School Batkhela	Islamic	0108	KPK	(0932)-414851-3	(0932)-414854
104	Karachi, S.I.T.E.	B-78 Allied Plaza Estate Avenue Karachi	Islamic	0109	Sindh	(021)-32565102-4, 32570832, 32550211	(021)32565105
105	Karachi, Korangi	Plot# 1-13-2 Sub Plot# 1-A, Al Azam Plaza, Super highway, Sohrab Goth, Karachi	Islamic	0110	Sindh	(021) 35110201, 35110202	(021) 35110203
106	Charsadda	Main Bazar, Mardan Road, Charsadda	Islamic	0111	KPK	(091)9220100-1	(091)9220102
107	Abbottabad	Jinnah Road, Abbottabad	Islamic	0113	KPK	(0992)341431, (0992)341432, (0992)341444	(0992)341430
108	New Garden Town, Lahore	28-A, Ali Block, New Garden Town Lahore	Islamic	0114	Punjab	(042) 99332971-3, 99332964-7	(042)-99332969
109	Rawalpindi	Adam Jee Road, Saddar Rawalpindi	Islamic	0115	Punjab	(051)-5120194-7	(051)5120198
110	Faisalabad	P-64, Kotwali Road Faisalabad	Islamic	0116	Punjab	(041)-2412116-9	(041)2412120
111	Mansehra	Rakaposji Plaza, Abbottabad Road Manshera	Islamic	0117	KPK	(0997) 920181, 920183, 920184	(0997) 920182
112	Hazara University	Hazara University	Islamic Sub-Branch	0117	KPK		
113	Swabi	Jamil Khan Market Mardan Road, Swabi	Islamic	0118	KPK	(0938)222513, (0938)223423	-
114	Peshawar City	Shop No. 2, Tariq Sultan Building Hospital Road, Peshawar	Islamic	0119	KPK	(091)2561511-13	(091) 2561511
115	Lady Reading Hospital Peshawar	LRH Hospital Peshawar	Islamic Sub-Branch	0119	KPK		
116	Abdali Bazar Chaman	Khasra No. 451, Old Mahal Abdali Bazaar, Trunch Road, Chaman.	Islamic	0120	Baluchistan	(0826)614027-28	(0826)614014
117	KTH - Peshawar	Khyber Teaching Hospital, Jamrud Road, Peshawar	Islamic	0121	KPK	(091) 9224220,	(091) 9224220
118	Shahrah-e-Resham - Mansehra	Opposite Grid Station, Near Pakhwal Chowk, Shahrah-e-Resham, Manshera	Islamic	0122	KPK	(0997)303272, 303273	(0997) 303271
119	Metroville Karachi	Plot No. E-5, Block -1, KDA Scheme, Project No. 1, Metroville	Islamic	0123	Sindh	(021)36754233, (021)36754234, (021)36754235	(021)36754236
120	Shah Alam Lahore	Shop #E/36, Alamgir Market, Inside Shah Alam Gate, Lahore.	Islamic	0124	Punjab	(042)37641834-6	(042)37641837
121	Jamrud	Adjacent to Caltex Petrol Pump, Jamrud Bazaar, Jamrud road Khyber Agency.	Islamic	0125	KPK	(091)5830147, (091)5830148	(091)5830149
122	Upper Dir	Shop No. 1 To 6, Shafi Plaza Saleem market, Main Bazar Upper Dir	Islamic	0126	KPK	(0944)890021	(0944)890022
123	Shaheed Benazir Bhutto University Sheringal, District Upar Dir	Shaheed Benazir Bhutto University, Sheringal District Upper Dir	Islamic Sub-Branch	0126	KPK		
124	Serai Naurang	Khasra No. 438, (Sahibzada Kabir Plaza), G.T. Road, Sarai Naurang, Lakki Marwat	Islamic	0127	KPK	(0969)352963	(0969)352964
125	Hayatabad Chowk	Shop No.2, Saif Shopping Mall Phase III, Hayatabad Chowk Main Jamrud Peshawar	Islamic	0128	KPK	(091)5853283, 5853284	(091)5853285
126	D.I. Khan	Shop No. 1-10, Block 13, Tank Adda, D.I.Khan	Islamic	0129	KPK	(0966)850724, (0966)850725, (0966) 715531	(0966)850727
127	Thall	Shop No. 1-5, Al-Murtaza Market, Bannu Chowk, Main Bazar, Thall District Hangu	Islamic	0130	KPK	(0925) 510741, 511740, 511741	(0925)510740
128	Swari Buneer	Shop No. 6 to 10, Nisar Market, Pir Baba Road, Swari Buner	Islamic	0131	KPK	(0939)555279, (0939)555289, (0939)555249	(0939)555229
129	Mingora	Shop No.1, Bank Square, Main Bazar, Mingora, Swat	Islamic	0132	KPK	(0946)9240460, 9240462	(0946)9240461

BRANCH NETWORK

Sr. No.	Branch/Booth Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	FAX Number
130	Islamabad F-10	Plot No. 08, F-10 Markaz, Al-Marroof Hospital Building, Islamabad.	Islamic	0133	Capital Territory	(051)2222993, 2222994, 2222995, 2222997	(051)2222996
131	Battagram	Momin Khan Plaza, Shahrah-e-Resham Battagram.	Islamic	0134	KPK	(0997)310155, 310154	(0997)310156
132	Topi - Swabi	Property no. 3500, Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.	Islamic	0135	KPK	(0938) 271546, 271548	(0938) 271547
133	Dargai	Basement, Ameen Plaza, Opposite HBL, Main Bazar, Dargai.	Islamic	0136	KPK	(0932) 331447, 331448	(0932) 331449
134	Chew Bazar, Chitral	Shop No. 1-4, Qazafi Market, Chew Bazar, Chitral.	Islamic	0137	KPK	(0943)414571-2	(091)414573
135	Kachehri Chowk Kohat	T-926, T 927 & T928, Crown Plaza Opposite Company Bagh Near Kachehri Chowk Hangu Road Kohat	Islamic	0138	KPK	(0922) 522013-14	(0922) 522015
136	Mardan Cantt	Shop No. 4 To 8, Lower Ground and Ground Floor Mardan City Center Plaza Qazi Bashir Road Mardan Cantt	Islamic	0139	KPK	(0937) 870823, (0937) 870824.	(0937) 870826
137	M. A Jinnah Road, Okara	Ground & 1st Floor, Iftikhar Children Hospital M.A. Jinnah Road Okara	Islamic	0140	Punjab	(044) 2511079-80	(044) 2511082
138	Miran Shah	Syed Gul Market, Main Bannu Miranshah Road Miran Shah District North Waziristan	Islamic	0141	KPK	0928-310928 & 29	-
139	Multan	Plot No. 12-B & 13-B, Haq Nawaz Plaza, Main Gate Shah Shams Colony, Vehari Road, Multan	Islamic	0142	Punjab	(061)6241251-53	(061)6241254
140	Khawaza Khela	Irfan Plaza, Main Bazar, Khwaza Khela, Swat	Islamic	0143	KPK	(0946)744661-64	(0945)744662
141	Kambur	City Market, Main Road, Kambur, Lower Dir, Kambur	Islamic	0144	KPK	(0945)885322	(0945)886322
142	Shabqadar	kharsa No. 4244/159-162, Opposite shabaqadar Fort Gate, Shabqadar	Islamic	0145	KPK	(091) 6281101-02	(091) 6289333
143	Tarnol	kharsa No. 781, Geo Madina Tower, Main G.T Road , Tarnol.	Islamic	0146	Capital Territory	(051)2226781-82	(051)2226783
144	Saleh Khana	Kharsa No. 169 & 183, Main Bazar, Moza Saleh Khana Tehsil Pubbi, Nowshera	Islamic	0147	KPK	(0923) 651094-95	(0923) 651091
145	Sirki Road Quetta	Khasra No. 1807/16, Kaasi Building, Groud & 1st Floor, Sirki Road, Quetta	Islamic	0148	Baluchistan	(081) 2443637, 2447377	(081) 2447388
146	Chakdara	Shop No. 1 to 10, Zaman Market, Adjacent UBL & nbp, Main Bazaar, Chakdara, Lower Dir	Islamic	0149	KPK	(0945)762532, 762533	(0945)762534
147	Takht bhai	Kharsa No. 785, Shaukat Mansion,Ground & 1st floor, Opposite Takht Bhai Mega Mart,Takht Bhai, Mardan	Islamic	0150	KPK	(0937)553682-84	(0937)553683
148	Jhangera	Ground & 1st floor, Behram Khan center, G.T Road, Jehangira	Islamic	0151	KPK	(0923)510056	(0923)510045
149	Wana	Scouts Camp WANA District South Waziristan	Islamic	0152	KPK	(0965) 210006	-
150	Ghalanai	Opposite Civil Colony Main Bazar Ghalanai, District Mohmand	Islamic	0153	KPK	(0924) 290280	-
151	City Circular Road	Khewat # 446/25,25 Akhtarabad, Opposite Sirki Gate Peshawar	Islamic	0154	KPK	(091) 2592011	(091)2592018
152	Ring Road	Ground Floor, Arbab Market, Garhi Qamar din, near Mujaddad CNG station, North side Ring Road, Peshawar.	Islamic	0155	KPK	(091) 2322815, 2325223, 2325225	(091)2322715
153	Gulbahar Peshawar	Plot No. 4-A & 4-B, Sameer Square, Anam Sanam Chowk, Gulbahar Road, Hussainanabad	Islamic	0156	KPK	(091)2606391, (091)2606393, (091)2606394	(091)2606392
154	Barikot-Swat	Khasra No.1333, Iqbal Khan Plaza, Pir Baba Road, Barikot Swat.	Islamic	0157	KPK	(0946) 751781, (0946) 751782	(0946) 751783

Sr. No.	Branch/Booth Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	FAX Number
155	Tangi	Kharsa No. 1633, Malak Plaza, Shabqadar Road, Tangi Charsadda	Islamic	0158	KPK	(091)6555527, 6555528, 6555530.	(091)6555529
156	Pabbi	Anjum Market, G.T. Road, Pabbi, Nowshera.	Islamic	0159	KPK	(0923)527071, (0923)527073, (0923)527075.	(0923)527079
157	Shangla	Khasra No 1283, 84 & 86, Munir Plaza, Adjacent MCB, Basement & Ground Floor, Besham Road, Alpuri Shangla.	Islamic	0160	KPK	(0996) 850140, (0996) 850141, (0996) 850143	(0996) 850142
158	Wari	Ittehad plaza, Lower basement and Ground floor, Wari Bazaar, Dir chitral road, Upper Dir	Islamic	0161	KPK	(0944)841511, (0944)841611	(0944)841711
159	Manki Sharif	Kharsa No. 805, malak jameen market, Soorya khel, manki sharif, tehsil & Distt Nowshera	Islamic	0162	KPK	(0923)626071, (0923)626072, (0923)626074.	(0923)626073
160	Bajaur	abid city centre, Ground floor, Lt. Sajjad Khan Shaheed Bypass Road, Khar Bazaar, Bajaur Agency.	Islamic	0163	KPK	(0942)221263, (0942)221264.	(0942)221266
161	Matta-Swat	Malak Tahir Market, Mouza Main Bazar, Matta, Mingora , District Swat KP	Islamic	0164	KPK	(0946) 790840, (0946) 790841.	(0946) 790842
162	Torghar	quarter no 1, District head quarter Tor ghar judba, KPK	Islamic	0165	KPK	(0997)209705, (0997)209706	-
163	Achini Payan	Muhammad Arcade, Achini Payan, Ring Road near Hayatabad, Peshawar.	Islamic	0166	KPK	(091) 5622545,(091) 5811265, (091) 5811280	(091) 5811320
164	Torkham	Ground Floor, Masoom Building, Near PTDC & Tehsildar Office, Peshawar Torkham Road, Torkham	Islamic	0167	KPK	(0924) 240046, (0924) 240047, (0924) 240145	(0924) 240045
165	Shewa Adda	Office No, 1 Ground Floor, Sardar Khan Malak Plaza, Mardan Swabi Road Sheva Adda, Swabi	Islamic	0168	KPK	(0938) 310703, (0938) 310704	(0938) 310705
166	Munda	Ground Floor, Habibn Jan Market, Adjacent Tehsildar Office, Munda	Islamic	0169	KPK	(0945)-830345, (0945)-830346	(0945)-830347
167	Kabal Swat	Khasra No. 2271 Ground Floor, Wahab Market, Mingora Road, Swat	Islamic	0170	KPK	(0946) 755471, (0946) 755473	(0946) 755472
168	Kalaya	Sub Divisional Head Quarters Compund, Kalaya, Lower Orakzai, District Orakzai	Islamic	0171	KPK	(0925) 650009, 650010	-
169	Mall Road, Peshawar	Office no. 1, Ground Floor, Khanis Plaza, The Mall Road Peshawar Cantt	Islamic	0172	KPK	091-5284212, 091-5284214.	091-5284213
170	Lakki Marwat	Shop No. 1, haji Jan Khan market, Lakki City, Lakki Marwat	Islamic	0173	KPK	0969-510059, 0969-510359	0969-511059
171	Puran	Khasra No. 227, Aluch Bazaar Tehsil Puran District Shangla	Islamic	0174	KPK	0996-853026	-
172	Dara Adam Khel	Ground floor, Nawab Shah Plaza, dara Bazaar, Mohammad Khel Zarghar Khel, dara Adam Khel	Islamic	0175	KPK	0922-811666	0922-811333
173	Sakhakot	Shop No. 1, Noor market, main Malakand road, Sakhakot,	Islamic	0176	KPK	(0932) 311410, (0932) 311411, (0932) 311412.	((0932) 311413
174	Zhob	Shop No. C84-85 Main Bazar, Thana Road Quetta Zhob	Islamic	0177	Baluchistan	(0822)412335	-
175	Tehkal	Khasra No.6179/2122 Haji Nazar Mohammad Building, Thkal Payan	Islamic	0178	KPK	091-5621222/ 5621225	091-5621220
176	Sugar Mill Road, Mardan	Sharif Khan Plaza, Near Charsadda Chowk, Railway Phattak Sugar Mills bypass road Mardan	Islamic	0179	KPK	0937-845696, 0937-845697, 0937-845698	0937-845699
177	Bhara Kahu Branch, Islamabad	Malak Shafait Plaza, manuza mahal kot, hathial Main Maree road Bhara Kahu Islamabad	Islamic	0180	Capital Territory	051-2303782, 051-2303783	051-2303789
178	Charbagh Swat	Saad tower, Main Bazar Charbagh	Islamic	0181	KPK	0946-730493, 730494	0946-730945

BRANCH NETWORK

Sr. No.	Branch/Booth Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	FAX Number
179	Rashakai, Mardan	Deed No. 142/1, Main Bazar, Rashakai Nowshera	Islamic	0182	KPK	0937-880369, 881369	-
180	Rustam Mardan	Khata No. 813/799 Main Bazar Rustam	Islamic	0183	KPK	0937-801909	-
181	Barawal Bnada, Dir	Almadina Market, Shahi road, Main bazar Barawal bandi, Upper Dir	Islamic	0184	KPK	0944-830019, 830020	0944-830021
182	HMC Peshawar	Hayatabad Medical Complex Phase-4, Hayatabad	Islamic	0185	KPK	091-5811941, 091-5811942	091-5811943 L173
183	Main Bazar Bara Tehsil and District Bara	Main bazar adjacent to bara, Tehsil Bara, District Khyber	Islamic	5186	KPK	0301-8883036	-
184	Totalai, Tehsil Khadukhel District Buner	Khata No 26, Khasra No 3378, Mouza totalai, Tehsil Khadukhel, District Buner	Islamic	5187	KPK	0314-9854637	-
185	Madayn, Tehsil Madayn District Swat	Khata No 227, Khatooni No 309, Khasra No 302, Fetehtpur Hadbast No 48, Madayn Bazar, Swat	Islamic	5188	KPK	0946-882061-2	-
186	Dewana Baba, Tehsil Swari, District Buner.	Khasra No 67, Dewana Baba Bazar, Kalyari Gagra, Dewana Baba, Swari Buner.	Islamic	5189	KPK	0334-8935037	-
187	Zaida, Tehsil District Swabi	Khasra No 2080-2084 & 2086, Khata No 1599/2841 Salar Market, Main Bazar Zaida Swabi	Islamic	5190	KPK	0938-210017-18	-
188	Matani Tehsil and District Peshawar	Khata No 1168/3802 to 4083 Khasra No Qittat 383, Mouza Matani Hadbast No 268, Tehsil and district peshawar	Islamic	5191	KPK	091-2626181-82	-
189	Mandian Abbottabad, District Abbottabad	Aziz ullah Plaza, Mandian Mansehra Road, Abbottabad	Islamic	5192	KPK	0300-5630031	-
190	Doaba, Hangu	Khasra No 1326, Bangash filling station, main road doaba, District Hangu	Conventional	0090	KPK	0925-660215-216	0925-660217

S.NO	Province	No of Conventional Branches	No of Islamic Branches
1	AJK	3	0
2	Baluchistan	2	4
3	Capital Territory	2	3
4	GB	1	0
5	KPK	46	75
6	Punjab	25	6
7	Sindh	9	3
Grand Total		88	91

BRANCH NETWORK

FOREIGN CORRESPONDENT BANKS

AS OF DECEMBER 31, 2020

S. NO.	COUNTRY	NAME OF BANK
1	AFGHANISTAN	NATIONAL BANK OF PAKISTAN, KABUL BRANCH
2	AMERICAN SAMOA	ANZ GUAM INC
3	AUSTRALIA	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
4	BAHRAIN	AL BARAKA ISLAMIC BANK B.S.C
		ALUBAF ARAB INTERNATIONAL BANK B.S.C. (C)
		ARAB INVESTMENT COMPANY, MANAMA BRANCH
		ASKARI BANK LIMITED, MANAMA BRANCH
		BANK AL HABIB LIMITED, MANAMA BRANCH
		HABIB BANK LIMITED, MANAMA BRANCH
		JS BANK LIMITED, MANAMA BRANCH
		UNITED BANK LIMITED, MANAMA BRANCH
		WOORI BANK, MANAMA BRANCH
5	BANGLADESH	HABIB BANK LIMITED, DHAKA BRANCH
		NATIONAL BANK OF PAKISTAN, DHAKA BRANCH
		SOCIAL ISLAMI BANK LIMITED
		WOORI BANK, DHAKA BRANCH
6	BELGIUM	COMMERZBANK AG, BRUSSELS BRANCH
		HABIB BANK LIMITED, BRUSSELS BRANCH
7	CANADA	HABIB CANADIAN BANK
8	CAYMAN ISLANDS	COMMERZBANK AG, CAYMAN ISLANDS BRANCH
9	CHILE	MUFG BANK LIMITED, SANTIAGO BRANCH
10	CHINA	AGRICULTURAL DEVELOPMENT BANK OF CHINA
		AUSTRALIA AND NEW ZEALAND BANK (CHINA) COMPANY LIMITED
		BANK OF CHINA LIMITED
		BANK OF JIANGSU CO. LIMITED
		BANK OF SHANGHAI CO. LIMITED
		CHINA CITIC BANK CORP. LIMITED
		COMMERZBANK AG, SHANGHAI BRANCH
		INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
		JIANGSU JIANGNAN RURAL COMMERCIAL BANK CO. LIMITED (FORMALY JIANGSU WUJIN RURAL BANK)
		MUFG BANK (CHINA) LIMITED
		MUFG BANK (CHINA) LIMITED, SHENZHEN BRANCH
		QILU BANK CO. LIMITED
		SHENGJING BANK CO. LIMITED
		THE BANK OF NEW YORK MELLON, SHANGHAI BRANCH
		THE EXPORT IMPORT BANK OF CHINA
		UNICREDIT SPA, SHANGHAI BRANCH
		WELLS FARGO BANK, NA, SHANGHAI BRANCH
		WOORI BANK (CHINA) LIMITED
		YANTAI BANK CO. LIMITED
		ZHEJIANG TAILONG COMMERCIAL BANK CO. LIMITED
		ZHONGSHAN RURAL COMMERCIAL BANK CO. LIMITED

BRANCH NETWORK

S. NO.	COUNTRY	NAME OF BANK
11	CZECHIA	COMMERZBANK AG, PRAGUE BRANCH
12	DENMARK	DANSKE BANK A/S
13	EGYPT	MASHREQ BANK, CAIRO BRANCH
14	ETHIOPIA	DASHEN BANK S.C.
15	FIJI	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, SUVA BRANCH
16	FINLAND	DANSKE BANK A/S, FINLAND BRANCH, HELSINKI BRANCH
17	FRANCE	COMMERZBANK AG, PARIS BRANCH
		CREDIT MUTUEL ARKEA
		NATIONAL BANK OF PAKISTAN, PARIS BRANCH
		UNION DE BANQUES ARABES ET FRANCAISES
18	GERMANY	COMDIRECT BANK AG, QUICKBORN BRANCH
		COMMERZBANK AG
		COMMERZBANK AG (FORMERLY DRESDNER BANK AG)
		COMMERZBANK AG, BERLIN BRANCH
		COMMERZBANK AG, DUSSELDORF BRANCH
		COMMERZBANK AG, HAMBURG BRANCH
		COMMERZBANK AG, WUPPERTAL BRANCH
		EUROPEAN BANK FOR FINANCIAL SERVICES GMBH (EBASE)
		NATIONAL BANK OF PAKISTAN, FRANKFURT BRANCH
		SPARKASSE WESTMUENSTERLAND
19	GIBRALTAR	BANK J. SAFRA SARASIN (GIBRALTAR) LIMITED
20	GREECE	ATTICA BANK SA
21	HONG KONG	BANK OF AMERICA N.A., HONG KONG BRANCH
		COMMERZBANK AG, HONG KONG BRANCH
		MASHREQBANK PSC., HONG KONG BRANCH
		NATIONAL BANK OF PAKISTAN HONG KONG BRANCH
		WELLS FARGO BANK N.A., HONG KONG BRANCH
22	HUNGARY	COMMERZBANK ZRT (BUDAPEST) RT.
23	INDIA	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, MUMBAI BRANCH
		MASHREQ BANK, MUMBAI BRANCH
		MUFG BANK, LTD. MUMBAI BRANCH
		MUFG BANK, LTD. NEW DELHI BRANCH
		SHINHAN BANK, MUMBAI BRANCH
24	INDONESIA	MUFG BANK LIMITED, JAKARTA BRANCH
		PT BANK ANZ INDONESIA
		PT PAN INDONESIA BANK TBK
		PT.BANK WOORI SAUDARA INDONESIA 1906 TBK
25	ITALY	BANCA UBAE SPA
		BANCO DI DESIO E DELLA BRIANZA S.P.A.
		BPER BANCA S.P.A.
		COMMERZBANK AG, MILAN BRANCH
		MUFG BANK LIMITED, MILAN BRANCH

S. NO.	COUNTRY	NAME OF BANK
26	JAPAN	COMMERZBANK AG, TOKYO BRANCH
		MUFG BANK LIMITED
		NATIONAL BANK OF PAKISTAN, TOKYO BRANCH
		U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES, TOKYO BRANCH
		WELLS FARGO BANK N.A., TOKYO BRANCH
		WOORI BANK, TOKYO BRANCH
27	KUWAIT	MASHREQBANK PSC, KUWAIT CITY
28	KYRGYZSTAN	NATIONAL BANK OF PAKISTAN, BISHKEK BRANCH
29	LEBANON	HABIB BANK LIMITED, BEIRUT BRANCH
30	LUXEMBOURG	COMMERZBANK AG, LUXEMBOURG BRANCH
31	MACAU	BANCO COMERCIAL PORTUGUES SA, MACAU BRANCH
32	MALAYSIA	BANK AL HABIB LIMITED, LABUAN BRANCH
		MIZUHO BANK (MALAYSIA) BERHAD
		MUFG BANK (MALAYSIA) BERHAD
33	MAURITIUS	BANK OF BARODA, PORT LOUIS BRANCH
34	MONACO	BANQUE J. SAFRA SARASIN (MONACO) SA
35	NETHERLANDS	COMMERZBANK AG, AMSTERDAM BRANCH
		ING BANK N.V.
		INTESA SANPAOLO BANK LUXEMBOURG SA, AMSTERDAM BRANCH
36	NEW ZEALAND	ANZ BANK NEW ZEALAND LIMITED, WELLINGTON BRANCH
37	NORWAY	DANSKE BANK A/S, TRONDHEIM BRANCH
38	OMAN	HABIB BANK LIMITED, MUSCAT BRANCH
		SOHAR INTERNATIONAL BANK S.A.O.G
39	PAKISTAN	ALBARAKA BANK (PAKISTAN) LIMITED
		ALLIED BANK LIMITED
		ASKARI BANK LIMITED
		BANK AL HABIB LIMITED
		BANK ALFALAH LIMITED
		BANK OF CHINA LIMITED, KARACHI BRANCH
		BANK OF PUNJAB
		BANKISLAMI PAKISTAN LIMITED
		DUBAI ISLAMIC BANK PAKISTAN LIMITED
		FAYSAL BANK LIMITED
		FIRST WOMEN BANK LIMITED
		HABIB BANK LIMITED
		HABIB METROPOLITAN BANK LIMITED
		INDUSTRIAL AND COMMERCIAL BANK OF CHINA, KARACHI BRANCH
		JS BANK LIMITED
		MCB BANK LIMITED
		MCB ISLAMIC BANK LIMITED
		MEEZAN BANK LIMITED
		NATIONAL BANK OF PAKISTAN
		SAMBA BANK LIMITED, KARACHI
		SILKBANK LIMITED
		SINDH BANK LIMITED

BRANCH NETWORK

S. NO.	COUNTRY	NAME OF BANK
		SONERI BANK LIMITED
		SUMMIT BANK LIMITED
		UNITED BANK LIMITED
40	PAPUA NEW GUINEA	AUSTRALIA AND NEW ZEALAND BANKING GROUP (PNG) LIMITED
41	PHILIPPINES	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, MAKATI CITY BRANCH
42	QATAR	MASHREQ BANK, DOHA BRANCH
		UNITED BANK LIMITED, DOHA BRANCH
43	SAMOA	ANZ BANK (SAMOA) LIMITED
44	SAUDI ARABIA	BANK AL-JAZIRA
		NATIONAL BANK OF PAKISTAN, RIYADH BRANCH
		RIYAD BANK
45	SEYCHELLES	BANK AL HABIB LIMITED, VICTORIA BRANCH
46	SINGAPORE	COMMERZBANK AG, SINGAPORE BRANCH
		HABIB BANK LIMITED, SINGAPORE BRANCH
		PT BANK MANDIRI (PERSERO) TBK, SINGAPORE BRANCH
		THE TORONTO-DOMINION BANK, SINGAPORE BRANCH
		U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES, SINGAPORE BRANCH
		WELLS FARGO BANK N.A., SINGAPORE BRANCH
		WOORI BANK, SINGAPORE BRANCH
47	SLOVAKIA	COMMERZBANK AG, BRATISLAVA BRANCH
48	SOLOMON ISLANDS	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, HONIARA BRANCH
49	SOUTH AFRICA	HBZ BANK LIMITED, DURBAN BRANCH
50	SOUTH KOREA	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, SEOUL BRANCH
		INDUSTRIAL BANK OF KOREA
		KEB HANA BANK
		KOOKMIN BANK
		NATIONAL BANK OF PAKISTAN, SEOUL BRANCH
		SHINHAN BANK
		SUHYUP BANK
		THE BUSAN BANK CO. LIMITED
		U.B.A.F.-UNION DE BANQUES ARABES ET FRANCAISES, SEOUL BRANCH
		WELLS FARGO BANK N.A., SEOUL BRANCH
		WOORI BANK
51	SPAIN	ABANCA CORPORACION BANCARIA S.A.
		COMMERZBANK AG, MADRID BRANCH
52	SRI LANKA	HABIB BANK LIMITED, COLOMBO BRANCH
		HATTON NATIONAL BANK PLC
		SAMPATH BANK PLC
53	SWITZERLAND	HABIB BANK AG ZURICH
		UBL (SWITZERLAND) AG
		ZURCHER KANTONALBANK
54	TAIWAN	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, TAIPEI CITY BRANCH
		MUFG BANK LIMITED, TAIPEI CITY BRANCH

S. NO.	COUNTRY	NAME OF BANK
55	THAILAND	BANK OF AYUDHYA PUBLIC COMPANY LIMITED, BANGKOK BRANCH
56	TIMOR-LESTE	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, DILI BRANCH
57	TONGA	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, NUKU'ALOFA BRANCH
58	TURKEY	AKBANK TAS
		AKTIF YATIRIM BANKASI AS
		ALBARAKA TURK KATILIM BANKASI AS
		HABIB BANK LIMITED, ISTANBUL BRANCH
59	UNITED ARAB EMIRATES	ABU DHABI COMMERCIAL BANK PJSC
		ABU DHABI ISLAMIC BANK
		BANK ALFALAH LIMITED, DUBAI BRANCH
		HABIB BANK AG ZURICH, DUBAI BRANCH
		HABIB BANK LIMITED, DEIRA BRANCH
		MASHREQBANK PSC.
		MCB BANK LIMITED, DUBAI BRANCH
		UNITED BANK LIMITED, DUBAI BRANCH
60	UNITED KINGDOM	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, LONDON BRANCH
		BANK J SAFRA SARASIN (GIBRALTAR) LIMITED, LONDON BRANCH
		COMMERZBANK AG, LONDON BRANCH
		CREDIT SUISSE (UK) LIMITED
		HABIB BANK ZURICH PLC
		HBL BANK UK LIMITED
		LLOYDS BANK PLC
		MASHREQ BANK PSC, LONDON BRANCH
		THE BANK OF NEW YORK MELLON, LONDON BRANCH
		WELLS FARGO BANK N.A., LONDON BRANCH
		WOORI BANK, LONDON BRANCH
61	UNITED STATES OF AMERICA	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, NEW YORK BRANCH
		COMMERZBANK AG, NEW YORK BRANCH
		DEUTSCHE BANK TRUST COMPANY AMERICAS
		FIRST HORIZON BANK
		GOLDEN BANK N.A.
		HABIB AMERICAN BANK
		MASHREQBANK PSC, NEW YORK BRANCH
		MIZUHO BANK LIMITED, NEW YORK BRANCH
		NATIONAL BANK OF PAKISTAN, NEW YORK BRANCH
		SHINHAN BANK AMERICA, LOS ANGELES BRANCH
		SHINHAN BANK, NEW YORK BRANCH
		THE BANK OF NEW YORK MELLON
		TRUIST BANK
		WELLS FARGO BANK N.A.
		WELLS FARGO CLEARING SERVICES LLC
		WOORI AMERICA BANK
		WOORI BANK, LOS ANGELES BRANCH
		WOORI BANK, NEW YORK BRANCH

BRANCH NETWORK

S. NO.	COUNTRY	NAME OF BANK
62	VANUATU	ANZ BANK (VANUATU) LIMITED
63	VIET NAM	ANZ BANK (VIETNAM) LIMITED
		SHINHAN BANK VIETNAM LIMITED
		WOORI BANK VIETNAM LIMITED

FORM OF PROXY

Folio No. _____ CDC Participant Identity Card No. _____ CDC A/C No. _____

I/We _____ of _____ a member/
members of The Bank of Khyber, and holder of _____ shares do
hereby appoint- _____ of _____ or failing him /
her _____ of _____ who is also
a member of the company, vide Registered Folio No. _____ as my/ our proxy to
attend, speak and vote for me /us and on my/our behalf at the 30th Annual General Meeting of the Bank to be
held on Monday, March 29, 2021 at 10:30 a.m. at Pearl Continental Hotel, Peshawar.

As witness my/our hand this _____ day of _____ 2021.

Dated

Place:

Signature
Five-Rupees
Revenue Stamp

Notes

The Signature should agree with the
Specimen registered with the Bank

A. General

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead him/her. No person shall act as a proxy, who is not a member of the bank except that Government of Pakistan /Provincial Government/State Bank of Pakistan/Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member of his/ her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a nationally certified copy thereof, should be deposited, with our Registrar/Transfer Agents, Messrs. THK Associates (Pvt) Ltd. Plot no 32-C, Jami Commercial Street 2, D.H.A, Phase VII, Karachi-75500 Pakistan, not less than 48 hours before the time of holding meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.
3. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan /Provincial Government / State Bank of Pakistan/Corporate entry, the Board of Director's resolution/power of attorney with specimen signature shall be submitted along with proxy to the Bank.



**AFFIX
CORRECT
POSTAGE**

The Company Secretary

Bank of Khyber

24, The Mall, Peshawar Cantt.



The Bank of Khyber

24, The Mall, Peshawar Cantt.

+92-91-111 95 95 95

cutomercare@bok.com.pk

www.bok.com.pk